

**Supervisory Board Report  
on S.C. OMV PETROM S.A.'s separate  
Financial Statements prepared in accordance with  
Ministry of Finance Order no. 1286/2012**

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

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

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

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 OMV Petrom, together with a description of the principal risks and associated uncertainties as of December 31, 2015.

Hence, the separate financial statements prepared in accordance with Ministry of Finance Order no. 1286/2012 were approved in today's Supervisory Board meeting in line with the Audit Committee's recommendation and will further be submitted for approval in the General Meeting of Shareholders to be held on April 26, 2016.

Bucharest, March 23, 2016



Rainer Seel

President of the Supervisory Board

## Appendix 1

### **Directors' Report on S.C. OMV PETROM S.A.'s separate Financial Statements prepared in accordance with Ministry of Finance Order no. 1286/2012 and in compliance with the Regulation no.1/2006, Appendix 32, issued by the National Securities Commission**

#### **Overview of the Company's nature**

The Company's headquarters is located at Coralilor Street no. 22, sector 1 Bucharest, Romania. The Company was set up according to the Government Ordinance no.49/Oct 1997, approved by Law no. 70/April 1998. The Company is registered with the Trade Register under number J40/8302/1997 and has as unique fiscal registration code RO1590082. The Company has as main activities exploration and production of hydrocarbons, sale of natural gas, refining of crudes, marketing of petroleum products, as well as production and sales of electricity. OMV Petrom unfolds its activity either directly or through its affiliates in Romania, Kazakhstan (only exploration and production of hydrocarbons) and Bulgaria, Serbia and Republic of Moldova (only marketing of petroleum products).

A 9.36% stake of the Company's shares is free float, traded within the Premium category of Bucharest Stock Exchange, under SNP symbol. Market capitalization as of December 30, 2015 was RON 16,426,791,417.

The Company is the parent of OMV Petrom Group ("the Group"). The annual consolidated financial statements are prepared by the Company in accordance with International Financial Reporting Standards (IFRS) as endorsed by European Union (EU). Separate individual financial statements for the year ended December 31, 2015 are also prepared in accordance with IFRS, as the Ministry of Finance Order (MOF) no. 1286/2012 stipulates that Romanian listed companies must prepare financial statements in accordance with IFRS as endorsed by EU, starting with the year ended December 31, 2012. In its turn, the parent Company OMV Petrom S.A. is part of the OMV Group which prepares consolidated financial statements at the level of OMV Aktiengesellschaft, which has its registered office at Trabrennstrasse 6-8, 1020 Vienna, Austria. These annual consolidated financial statements of the OMV Petrom Group and OMV Group are public and may be obtained from the companies' websites, i.e. [www.omv.com](http://www.omv.com) and [www.omvpetrom.com](http://www.omvpetrom.com).

OMV Petrom S.A. ("OMV Petrom") has vertical integrated activities and is organized into three operating business segments: Upstream, Downstream Oil and Downstream Gas while management, financing activities and certain service functions are concentrated in the Corporate & Other segment. From April 1st, 2015, the business segments were renamed as follows: Exploration and Production to Upstream, Refining and Marketing to Downstream Oil, Gas and Power to Downstream Gas.

The total share capital amounts to RON 5,664,410,833.50 (December 31, 2014: same amount), representing 56,644,108,335 shares (December 31, 2014: same number) with a nominal value of RON 0.1 per share.

The shareholders' structure as at December 31, 2015 is presented below:

	<b>No. of shares</b>	<b>Percent</b>
OMV Aktiengesellschaft	28,894,467,414	51.01%
Romanian State	11,690,694,418	20.64%
Fondul Proprietatea S.A.	10,758,648,186	18.99%
Legal entities and private individuals	5,300,298,317	9.36%
<b>Total</b>	<b>56,644,108,335</b>	<b>100.00%</b>

## **1. Analysis of the company's activity**

### **1.1. a) The activity developed or which is to be developed by the company and its subsidiaries.**

OMV Petrom develops the following main activities:

- The exploration and production of crude and natural gas on fields located onshore and offshore;
- Emergency works, commissioning and repair of wells;
- Crude refining;
- The distribution, transport, storing, marketing, bunkering of ships and the supply of airships with crude oil products;
- Wholesale and retail trade in merchandise and miscellaneous products;
- The import and export of crude, petroleum products, petrochemicals and chemicals, equipment, machines and specific technologies;
- Production, transmission, distribution, trade of electricity;
- Medical and social activity for its own employees and third parties;
- Other activities established and detailed in the Articles of Association of the company.

The detailed structure of the consolidated companies in OMV Petrom Group at December 31, 2015 is presented in Annex a) to the current report.

### **b) The date when the company was established**

The company was established on October 27, 1997 and began its activity as of November 1, 1997, as per the Emergency Ordinance no. 49/1997 approved through Law no. 70/1998 under the name of S.N.P. Petrom S.A. (SNP – Societatea Nationala a Petrolului/ National Oil Company). In the General Extraordinary Meeting of Shareholders dated September 14, 2004 the change of the company's name from SNP Petrom SA to S.C. Petrom S.A. was approved.

Starting January 1, 2010, the company name is OMV Petrom S.A., based on the Resolution of the Extraordinary General Meeting of Shareholders dated October 20, 2009. The Company's brands and logo remained unchanged.

### **c) Mergers or significant reorganizations of the company, the subsidiaries or the companies controlled performed during the financial year.**

Not applicable.

### **d) Asset acquisitions and/or alienation**

Not applicable.

### **e) Overview of the main results of the company**

In 2015, OMV Petrom experienced various challenges including a steep drop in global oil prices, as well as increased competition in downstream. The fundamental transformation undergone by OMV Petrom since privatisation has enabled it to be resilient in a highly volatile market and well equipped to adapt to this environment.

In **Upstream** segment, total production in Romania was kept at a broadly stable level as the good results from production optimization initiatives and previous years' investments and discoveries successfully offset the natural decline of some key fields. In 2015, OMV Petrom produced in Romania 3.81 mn t crude oil including condensate and 5.27 bcm natural gas, the equivalent of 61.90 mn boe total oil and gas. Offshore production accounted for approximately 7% of oil production and 25% of natural gas production. The daily average equivalent production has reached 169.6 kboe/d, compared to 171.4 kboe/d in 2014. New offshore wells put on stream in the middle of the year (sidetracks on Lebada Vest) and workover campaign at Totea Deep field (middle

of the year) and surface facilities works on Totea Deep influenced total production of OMV Petrom. Also, the Lebada Est NAG outages during the year impacted the 2015 total production. In 2015, the crude oil production obtained using enhanced oil recovery techniques accounted for approximately 25% of total domestic oil production. Heavy oil, representing crude oil with density greater than 900 kg/m<sup>3</sup> accounted for more than 35% of total production of crude oil including condensate.

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

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

As part of OMV Petrom's exploration focus, onshore and offshore drilling campaigns - both shallow and deep water - continued in 2015 sustained by 79% seismic coverage (weighted average for onshore and offshore) of the exploration acreage.

In the Neptun Deep block (50% OMV Petrom; 50% ExxonMobil) of Black Sea, we completed the second exploration drilling campaign, with encouraging results to progress more detailed work to determine if commercial development is viable. 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.

As of December 31, 2015 the total proved oil and gas reserves in OMV Petrom's portfolio amounted to 625 mn boe, while the proved and probable oil and gas reserves amounted to 873 mn boe, in Romania.

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

In **Downstream Gas** segment, OMV Petrom's gas sales volumes increased by 8% compared to 2014. In order to address market challenges, we have reshaped our organization and streamlined the sales processes, effective as of mid-2015. The Brazi power plant is a key component of our integrated equity gas value chain, reliably off-taking an important part of the upstream production in view of monetizing it in the downstream markets. With a stronger focus on optimizing the power plant on the forward market, net electrical output more than doubled compared to 2014.

### 1.1.1. General evaluation elements

Item, RON mn	2013	2014	2015
Net income/(loss)	4,839	1,837	(631)
Net turnover	18,088	16,537	13,952
Operating result (EBIT)	5,332	3,541	(595)
Operating expenses	13,001	13,243	14,959
Liquidity (cash and cash equivalents)	1,083	946	666

In 2015, OMV Petrom's EBIT was a loss of RON (595) mn, compared to the positive result of RON 3,541 mn in 2014, mainly due to lower sales revenues and higher impairment of producing assets in Upstream, following revision of oil price assumptions for short and long term (in Q3/15 and Q4/15). Exploration expenses amounting to RON 577 mn, mainly in relation with unsuccessful exploration wells (RON 408 mn), also negatively influenced the result.

The net income decreased to a loss of RON (631) mn in 2015, being negatively influenced by operating result. Please see section 5 for a detailed analysis of the financial statements.

### 1.1.2. Evaluation of the company's technical expertise

#### a) Main products and services

As OMV Petrom is an integrated oil and gas company, covering the full chain of upstream and downstream activities, the number of products can be grouped into the following categories representative for the company's activity:

- Crude oil;
- Natural gas;
- Petroleum products: gasoline, diesel, kerosene, heavy fuel oil, LPG;
- Electricity.

#### b) Main outlets for each product or service and the distribution methods

OMV Petrom is present on relevant markets as a producer and supplier of crude oil and natural gas, petroleum products and electricity.

- **Crude:** OMV Petrom accounts for almost the entire oil production in Romania which is delivered to its own refinery - Petrobrazi; the crude transportation is handled by the state owned company Conpet S.A.
- **Natural gas:** OMV Petrom accounts for approximately half of the gas production in Romania. A small part of the natural gas produced by OMV Petrom is used in the Upstream activity. The remaining volume is partly delivered to internal consumers (like the Brazi power plant), while most of it is placed on the market. For the delivery of the natural gas, OMV Petrom uses the national pipeline system of Transgaz and also its own network.
- **Petroleum products:** These products are sold to both Romanian and international markets. The company uses both retail and wholesale distribution channels, directly or through affiliates, to sell its refined products. The Group's retail supply channel consisted in a network of 788 fuel filling stations as of end-2015, in Romania (with 554 operating filling stations) and in the neighboring countries: Bulgaria, Serbia and the Republic of Moldova. Retail market share in the operating region was broadly at the same level as last year, reaching 33%.
- **Electricity:** OMV Petrom sells the electricity it produces on platforms managed by OPCOM S.A. (the electricity market operator), as well as to final clients. In 2015, OMV Petrom generated a net electrical output of 2.6 TWh and had an approx. 11% contribution to the balancing market, according to estimated available information.

**c) Overview of the turnover of the company in the last three years and analysis of various revenues types**

The majority of OMV Petrom's revenues resulted from the sale of petroleum products. The Company's net turnover in 2015 decreased by 16% to RON 13,952 mn 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 weight of each revenue category in total revenues is presented in the table below:

Item	Total value – RON mn			Share in revenues (%)		
	2013	2014	2015	2013	2014	2015
Operating revenues <sup>1</sup>	18,333	16,784	14,364	95	96	94
thereof Turnover	18,088	16,537	13,952	-	-	-
Financial revenues	938	668	994	5	4	6
<b>TOTAL</b>	<b>19,271</b>	<b>17,452</b>	<b>15,358</b>	<b>100</b>	<b>100</b>	<b>100</b>

*Figures in this and the following tables may not add up due to rounding differences.*

<sup>1</sup> the difference to Turnover represents other operating income.

**d) New products**

Not applicable.

**1.1.3 Evaluation of the provision of technical and material resources (domestic and imports)**

OMV Petrom is processing mainly domestically produced crude oil in its Petrobrazi refinery in order to obtain petroleum products and to maximize the company's integration value. Moreover we are constantly evaluating the economic benefits from processing imported crude. During 2015 OMV Petrom acquired and processed 171 thousand tons imported crude oil (2014: nil).

**1.1.4. Overview of the sale activity**

A breakdown of turnover per each business segment is presented in the table below:

Turnover per segments of activity, RON mn	Year ended December 31		
	2013	2014	2015
Upstream	142	124	225
Downstream Oil	14,475	12,658	9,690
Downstream Gas	3,303	3,653	4,002
Corporate and Other	167	102	36
<b>Total</b>	<b>18,088</b>	<b>16,537</b>	<b>13,952</b>

*Turnover per segments refers to sales to third parties (excluding inter-segmental sales).*

The Company's **turnover** in 2015 decreased by 16% to RON 13,952 mn compared to 2014, largely due to lower petroleum products sales revenues in Downstream Oil, following the steep decline in oil prices, which more than offset the increase in quantities sold as a result of higher fuel products demand, while Downstream Gas sales increased following higher sales of electricity.

As the Company's business model envisages the usage of several sales channels and subsidiaries, we also present the turnover breakdown at OMV Petrom Group level:

Group turnover per segments of activity, RON mn	Year ended December 31		
	2013	2014	2015
Upstream	1,108	861	682
Downstream Oil	19,128	16,602	13,224
Downstream Gas	3,880	4,014	4,206
Corporate and Other	70	65	34
<b>Total</b>	<b>24,185</b>	<b>21,541</b>	<b>18,145</b>

*Group turnover per segments refers to sales to third parties (excluding intra-group sales).*

#### a) Sales evolution and outlook

The figures in the table below reflect OMV Petrom Group total sales of fuels and gas, as well as electricity output.

Products	Year ended December 31			Changes in %		
	2013	2014	2015	15/14	15/13	14/13
Total refined product sales (kt)	5,222	4,807	5,028	4.6	(3.7)	(7.9)
<i>thereof retail sales (kt)</i>	<i>2,479</i>	<i>2,373</i>	<i>2,529</i>	<i>6.5</i>	<i>1.9</i>	<i>(4.3)</i>
Gas sales (TWh)	52.7	47.7	51.4	8	(2)	(9)
<i>thereof to third parties (TWh)</i>	<i>46.2</i>	<i>44.3</i>	<i>45.2</i>	<i>2</i>	<i>(2)</i>	<i>(4)</i>
Total net electrical output (TWh)	2.9	1.3	2.7	100	(7)	(54)

Overall sales turnover reflected lower quotation of petroleum products that led to increased demand, despite competition in the operating region. OMV Petrom Group's total refined product sales amounted to 5,028 kt in 2015, 4.6% higher compared to 2014, driven by higher oil product demand, which was supported by lower product quotations.

Group retail sales were 7% higher compared to the previous year's level, reaching 2,529 kt, the positive trend being reflected throughout the operating region. Retail sales in the domestic market reached 1,987 kt in 2015, 6% higher compared to 2014.

Non-retail sales amounted to 2,499 kt, 3% above the 2014 level, reflecting higher demand for diesel and jet. In Romania, non-retail sales were 1,262 kt, 16% above the previous year's level.

OMV Petrom's gas sales volumes increased by 8% versus 2014, to 51.4 TWh, supported by higher offtake by the Brazi power plant, which reflects the integrated optimization of our gas and power portfolios. Gas sales to third parties increased by 2% versus 2014, to 45.2 TWh. 2015 was the first year with fully liberalized prices for the nonhousehold sector, while for the household sector the liberalization continued with a new price increase, from RON 53.3/MWh to RON 60 RON/MWh, starting July 1, 2015.

OMV Petrom Group's net electricity output volumes totaled 2.7 TWh in 2015, double compared to 2014. According to OPCOM, electricity prices on the Romanian day-ahead market averaged RON 162/MWh for base load and RON 185/MWh for peak load in 2015 (2014: RON 154/MWh for base load and RON 187/MWh for peak load).

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.

In 2016, 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.

## **b) Company's market share. Main competitors**

With daily hydrocarbon production rates of 169.6 kboe/d and an oil/gas split of roughly 45%/55% in 2015, OMV Petrom accounts for almost the entire crude oil production and for approximately half of the gas production in Romania.

The estimated Romanian gas consumption was 121.7 TWh in 2015, covered predominantly by domestic production. OMV Petrom supplied more than one-third of Romania's total estimated gas consumption in 2015. The national domestic gas production was ensured mainly by Romgaz and OMV Petrom. Relatively small volumes were also provided by other private operators like Amromco Energy, Raffless Energy, Stratum Energy and Foraj Sonde. According to data published by the Romanian energy market regulator, the main providers of import gas in 2015 were: E.ON Energie Romania, GDF Suez Energy Romania, WIEE Romania and Electrocentrale Bucuresti. OMV Petrom placed marginal import gas volumes on the market in 2015.

According to data available, the Romanian gross electricity production was ~65 TWh, while the electricity consumption amounted to ~58 TWh in 2015. The main power generators in 2015 were: Hidroelectrica, Nuclearelectrica, Complexul Energetic Oltenia (Turceni, Rovinari, Craiova). The thermal power stations covered ~43% of the total national electricity production, the hydropower stations ~26%, the nuclear-electric plant ~18%, while the renewable plants covered the remainder ~13%. The Brazi power plant covered ~4% of Romania's electricity production in 2015.

The Romanian refining sector consists of ten refineries, of which four in operation: Petrobrazii (owned by OMV Petrom), Petromidia and Vega (Rompertol – majority owned by Kaz Munay Gas), Petrotel (Lukoil), which have a total operational capacity of approximately 12 mn tons. In 2015, the refineries processed a total quantity of approximately 10.4 mn tons of crude, according to the data provided by the National Institute of Statistics (NIS). The rest of six refineries are not operational: Astra, Darmanesti, Petrolsub, Steaua Romana (Omnimpex Chemicals), Rafo (Balkan Petroleum) and Arpechim.

In Retail, the market share in the operating region was broadly at the same level as last year, reaching 33%, driven by increased efficiency and portfolio optimization despite competition.

## **c) Description of any significant dependency of the company on a single customer or on a group of customers whose loss would have a negative impact on the company's income**

Given the wide range of products, OMV Petrom, also through its affiliates within the Group, has a large base of customers. Therefore, there are no third party clients which can materially affect the activity of the Company.

In addition, as a member of OMV Group, OMV Petrom has broadened its customers' base with some of the affiliated companies within the OMV Group. Transactions with affiliated companies are made on arm's length basis and are reported to the Bucharest Stock Exchange and Financial Supervisory Authority (ASF) as per latter's requirements.

### **1.1.5. Evaluation of issues related to the company's employees/staff**

#### **a) The number and the expertise of the company's employees**

The average number of employees, calculated as average of the month's end number of employees during the year is presented below.

	The average number of employees		
	2013	2014	2015
Average for the year	19,016	17,861	15,581

The average number of employees decreased in 2015 as a result of maintenance activities outsourcing and restructuring programs continued by the Company as a consequence of process optimization and cost efficiency measures.



The majority of the employees are members of representative trade union organization SNP (Sindicatul National Petrom) affiliated to SNPE ("Sindicatul National Petrom-Energie"), while a reduced number of employees are members of trade unions affiliated to "Energetica" Federation and "Lazar Edeleanu" Federation.

**b) The relationship between management and employees as well as of any conflict elements which characterize this relationship**

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

As of 2007, the wording of some provisions of the previous collective labor agreements (as such were amended) applicable within OMV Petrom ("CLA") led to a high number of labor litigations through which employees requested the granting of certain rights (e.g. payment of certain bonuses) deriving from the CLA, rights allegedly not granted to them. Most of the claims refer to provisions of the CLA prior to the privatization of OMV Petrom. At the time of this report some of these types of litigations are still in progress at various stages, although in a decreasing number across the country. OMV Petrom considers that the respective rights were granted (as regards bonuses, these were included and maintained in the base salary of the employees), therefore the claims being unjustified. The company's standpoint is considered by courts in the vast majority of the cases, as a result most cases have been won by OMV Petrom.

During 2015, OMV Petrom received additional claims related to some provisions of the CLA. However, following the assessment of the potential liabilities with respect to ongoing cases, the provision booked in prior years to cover this litigation risk was reduced in 2015. OMV Petrom took all possible actions and contracted all necessary resources to defend against these lawsuits and also to prevent a further increase in likelihood of litigation risk. In addition, over the years the provisions of the CLA were amended so as to limit the possibility of different interpretations that would trigger new litigations. For such, also at the end of 2015 a new CLA was concluded with applicability as of January 1, 2016. The provisions of the new agreement were drafted and negotiated taking into consideration the litigation experience and the view the courts have in interpreting the employees' rights as resulting from the CLA and are meant to mitigate further litigations deriving thereof. Furthermore, employees' information on this matter was substantially increased in order to raise awareness on the topic and a focus was put on clarifying discussions with claimants.

**1.1.6. Evaluation of issues related to the impact of the issuer's main activity on the environment**

**Environment and energy management**

OMV Petrom manages its environmental impact along the entire value chain, aiming to use natural resources efficiently and minimize waste and emissions to air, water and land. The company aims to prevent and reduce oil spills and leakages. In 2015, the risk based inspection and pipeline integrity software were successfully completed and rolled out allowing the Upstream segment to be proactive in managing the pipeline integrity and process safety risks. Over 80% of the actions from Hazard and operability study completed in previous years are closed out to support risk reduction of the high risk facilities. Emergency drills were performed in all Upstream's organizational units to strengthen the response in case of incidents. In 2015, OMV Petrom rolled out an extensive environmental awareness campaign "Shaping environmental values through performance", which targeted around 300 employees and aimed at promoting environmental performance and good practices.

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

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

#### **1.1.7 Evaluation of research and development activities**

In line with its strategic directions, the Company continued its efforts towards new exploration areas, in order to enhance new potential discoveries.

#### **1.1.8. Evaluation of the company's risk management activity**

As per the Code of Corporate Governance issued by the Bucharest Stock Exchange, 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 Company 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 flows are 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-related 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.

#### **1.1.9. Estimates of the company's activity**

##### **a) Factors which affect or could affect the company's cash position**

Cash generated from operating activities before working capital movements decreased as compared with 2014, largely due to lower sales. However, net cash generated from operating activities slightly increased in 2015, due to decrease in receivables and other assets during the year. Cash outflows were used mainly to sustain the investments, repayment of loans taken from subsidiaries and also for payment of dividends.

#### **Outlook for 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 for 2016**

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% vs. the high level of 2015.

**b) Capital expenditures (CAPEX) and other additions**

<b>Investments<sup>1)</sup>, RON mn</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Upstream	4,436	5,278	3,962
Downstream Oil	906	681	281
Downstream Gas	39	3	9
Corporate and Other	57	92	6
<b>Total</b>	<b>5,438</b>	<b>6,055</b>	<b>4,258</b>

<sup>1)</sup> Include amounts for fixed assets acquisitions, financial investments, land deeds, financial leasing and excludes increases from reassessment of provisions.

Investments made by OMV Petrom S.A. in 2015 amounted to RON 4,258 mn, lower by 30% compared to 2014.

Investments in Upstream activities (RON 3,962 mn) represented 93% of total CAPEX for 2015, being 25% below the 2014 level, as the swift reaction to the oil price decrease led to the prioritization of investments. Upstream investments were focused on activities related to field redevelopments, workover activities and subsurface operations, surface facilities, drilling development wells, as well as investments related to the Neptun Deep project.

Downstream Oil investments (RON 281 mn) were significantly lower than in 2014 (RON 681 mn), as the Petrobrazil 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 projects.

Corporate & Other investments decreased to RON 6 mn, lower than 2014 (RON 92 mn), as the latter reflected the financial investment in the newly created OMV Petrom Global Solutions S.R.L.

**c) Factors which significantly affect the income generated by the company's main activity**

<b>EBIT per segments of activity, RON mn</b>	<b>Year ended December 31</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
Upstream	5,375	4,496	(1,510)
Downstream Oil	18	(376)	804
Downstream Gas	12	(853)	(130)
Corporate and Others	(98)	(149)	(76)
EBIT Consolidation <sup>1</sup>	25	422	317
<b>Total</b>	<b>5,332</b>	<b>3,541</b>	<b>(595)</b>

<sup>1</sup> EBIT Consolidation result represents the inter-segmental profit elimination

In **Upstream** segment, EBIT amounted to RON (1,510) mn, significantly lower than the level reached in year 2014 when it was RON 4,496 mn, mainly due to lower oil prices and higher impairment of production assets, following revision of oil price assumptions for short and long term. Exploration expenses amounting to RON 577 mn, mainly in relation with unsuccessful exploration wells (RON 408 mn), also negatively influenced the result. Average Urals crude prices decreased by 47% compared to 2014 to USD 51.45/bbl. Domestic crude oil production was 27.43 mn bbl, 2% down compared to 2014 level due to planned workovers and surface works (both onshore and offshore). Domestic gas production was 34.48 mn boe, broadly in line with 2014 level.

In **Downstream Oil** segment, EBIT improved significantly to RON 804 mn, as compared with RON (376) mn in 2014, driven by high refining margins, improved operational performance after the refinery modernization and increased oil products quantities sold. The indicator refining margin increased significantly to USD 8.71/bbl, from USD 1.89/bbl in 2014, reflecting lower cost for crude consumed, the updated standard yield (as of Q3/14) following the completion of the Petrobrazil refinery modernization program and higher product spreads. In 2015, the Petrobrazil refinery utilization rate stood at 88%.

In **Downstream Gas** segment, EBIT was RON (130) mn, compared with RON (853) mn in 2014 when was affected by the impairment of the Brazi power plant due to revised long term market perspective. In 2015, the net electrical output of the Brazi power plant more than doubled vs. 2014, to 2.56 TWh (2014: 1.22 TWh)

EBIT in the **Corporate and Other** (Co&O) segment stood at RON (76) mn (2014: RON (149) mn).

## 2. Tangible Assets

### 2.1. The location and the main features of the production equipment owned by the company

OMV Petrom S.A. unfolds its activities in all the counties of the country, in Bucharest and in the Black Sea continental shelf, but also in Kazakhstan and the neighboring countries (Republic of Moldova, Bulgaria and Serbia), directly or via its subsidiaries.

#### Upstream:

At the end of 2015, OMV Petrom operates 232 commercial oil and gas fields in Romania.

The Company has a significant asset base in its Upstream business, in the form of property, plant and equipment used to exploit the Company's hydrocarbon reserves. This base also includes assets related to oil and gas service business, such as workover, maintenance and logistics activities.

#### Gas:

Being a marketing business, the Gas segment does not have production equipment or a significant asset base.

#### Power:

OMV Petrom has an 860 MW gas fired power plant located in Brazi.

#### Doljchim:

OMV Petrom continued the dismantling and decontamination activities at Doljchim in compliance with European environmental and safety standards, to prepare the site for future alternative use.

#### Refining:

OMV Petrom has two refineries: Petrobrazi (in operation) and Arpechim (not operating since 2011). In 2015, OMV Petrom exclusively operated its upstream integrated refinery at Petrobrazi, with a total operational capacity of 4.5 million tones /year.

At the end of 2015, the operational activity started at the newly revamped Cluj fuel terminal, following the approx. 18 months modernization period. This project, part of a modular design concept, is the fifth terminal finalized within the broad investment program of six modern terminals in Romania: three new terminals (Jilava, Brazi and Işalniţa- all of them in operation) and three revamped terminals (thereof Bacău and Cluj already in operation).

#### Retail:

Through its affiliates, OMV Petrom operates 554 retail filling stations in Romania and 234 stations in the neighboring countries of Bulgaria, Serbia and the Republic of Moldova.

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

**OMV Petrom S.A.**

<b>Fixed assets, tangible assets, RON mn (Net Book Value)</b>	<b>Balance at 31.12.2014</b>	<b>Balance at 31.12.2015</b>
Land, land rights and buildings, incl. buildings on third-party property	1,634	1,569
Oil and gas assets	22,020	19,938
Plant and machinery	4,979	4,995
Other fixtures and fittings, tools and equipment	111	137
Assets under construction	868	448
<b>Total fixed assets, tangible assets</b>	<b>29,613</b>	<b>27,087</b>

**2.2. The degree of wear-out for fixed assets**

Tangible and intangible assets are depreciated on a straight-line basis according to estimated useful life, starting with the following month to the put in function date, except for the core items within the Upstream segment which are depreciated using the unit of production method.

Accumulated depreciation and impairments of the tangible assets is presented in the table below:

<b>Fixed assets, tangible assets, RON mn</b>	<b>Balance at 31.12.2014</b>	<b>Balance at 31.12.2015</b>
Land, land rights and buildings, incl. buildings on third-party property	709	809
Oil and gas assets	10,059	14,310
Plant and machinery	3,583	4,204
Other fixtures and fittings, tools and equipment	219	228
Assets under construction	104	121
<b>Total fixed assets, tangible assets</b>	<b>14,674</b>	<b>19,672</b>

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

The Company has received notifications regarding the restitution of the assets confiscated by the Romanian State between March 6, 1945 and December 22, 1989, which falls under the incidence of Law no. 10/2001; this law provides the modalities, the terms and the legal framework for the restitution of these assets. The summarized status and the resolutions to these notifications as of December 31, 2015 are the following – 1,134 notifications were transmitted to OMV Petrom, out of which:

- ▶ 16 buildings were restored;
- ▶ 1,089 notifications were rejected due to the failure to comply with the requirement of Law no.10/2001;
- ▶ 28 notifications were redirected towards other entities;
- ▶ 1 notification (file) is currently under analysis.

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

### 3. The Market of the Securities issued by the Company

#### 3.1. The markets in Romania and in other countries where the securities issued by the company are traded

OMV Petrom shares are traded on the Bucharest Stock Exchange since September 3, 2001.

##### OMV Petrom share symbols

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

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

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

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

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

#### 3.2. Description of the company's dividend policy for the last 3 years.

Related to year	2013	2014	2015
Dividends allocated, RON mn	1,744.63	634.41	0 <sup>†</sup>

<sup>†</sup> Subject to OGMS approval.

On March 25, 2014, the Supervisory Board endorsed the management's proposal to distribute dividends of RON 0.0308 per share, increased by 10% compared to 2012, and resulting in a payout ratio of 36%. The dividend proposal was approved by the General Meeting of Shareholders, on April 29, 2014. The payment of the dividends started on June 5, 2014.

On March 24, 2015, the Supervisory Board endorsed the management's proposal to distribute dividends of RON 0.0112 per share, resulting in a payout ratio of 30%. The dividend proposal was approved by the General Meeting of Shareholders, on April 28, 2015. The payment of the dividends started on June 12, 2015.

On March 23, 2016, the Supervisory Board accepted the Executive Board's proposal to the Ordinary GMS that no dividends will be distributed for the year 2015.

#### 3.3 Description of any activity involving the company's purchasing its own shares

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

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



**3.4. Where the company owns subsidiaries, mention of the number and the nominal value of the shares issued by the parent company and held by the branches**

OMV Petrom has subsidiaries, but none of them owns shares issued by the parent Company.

**3.5. Where the company has issued bonds and /or other debt securities, presentation of the way in which the company fulfilled its obligations towards the holders of such securities**

Not applicable.

**4. Company administration**

**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 4<sup>th</sup>, 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](http://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 as a key element underpinning the sustainable growth of the business and also the enhancement of long-term value for shareholder.

**General Meeting of Shareholders ("GMS")**

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)<sup>1</sup>.

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

---

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

accounting, risk management and internal controlling system which meets the requirements of the Company.

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

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

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

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

In 2015, the Executive Board met 55 times in person and passed resolutions by circulation on seven other occasions in order to approve all matters requiring its approval in accordance with the Articles of Association and the Company's internal regulations, as well as to allow the members of the Executive Board to be aware of all significant matters concerning the Company and to inform each other about all relevant issues of their activity.

### **Shareholders' rights**

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

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.

#### **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.

## 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.



**4.1. Presentation of the company's administrators and the following information for each administrator:**

**a) CV (family name, first name, age, skills, professional expertise, position and length of employment)**

As of January 1, 2016, the Supervisory Board of OMV Petrom consists of nine members, elected for a four-year mandate between 28 April 2013 and 28 April 2017, as follows:

<b>Name</b>	<b>Age (years)</b>	<b>Position</b>	<b>Other information</b>
Rainer Seele	56	President of the Supervisory Board First elected at the GMS held on September 22, 2015	He graduated from the University of Göttingen, where he obtained a doctorate in Chemistry, and joined OMV as CEO starting July 1, 2015.
David Davies	61	Deputy-President First elected at the GMS held on January 11, 2005	He graduated from the Liverpool University and joined OMV in 2002. Chief Financial Officer (CFO) of OMV and Deputy Chairman of the OMV Executive Board.
Johann Pleininger	54	Member First elected at the GMS held on April 29, 2014	He attended the Technical College for Mechanical Engineering and Economics in Vienna, obtained the International Project Management certificate and graduated in Industrial Engineering. He joined OMV in 1977. Member of the OMV Executive Board, responsible for Upstream.
Manfred Leitner	56	Member First elected at the GMS held on April 26, 2011	He studied commerce at the Vienna University of Economics and Business and began his career with OMV in 1985. Member of the OMV Executive Board, responsible for Downstream.
Christoph Trentini	48	Member First elected at the GMS held on April 28, 2015	He graduated from the University of Innsbruck, Austria, holding a degree in Business Administration and a Senior Executive Program at Stanford GSB, USA. He joined OMV in 2004. Senior Vice-President and Group controller of OMV.
Riccardo Puliti	54	Member - independent <sup>1</sup> First elected at the GMS held on April 28, 2009	He is an MBA alumnus of Instituto de Estudios Superiores de la Empresa (IESE) and a postgraduate alumnus of the Kennedy School of Government (Harvard University) and Imperial College. He started working for EBRD in 1996. Managing Director in charge of the energy and natural resources sectors at the EBRD.

<sup>1</sup> Independent member as per the criteria of the Bucharest Stock Exchange Corporate Governance Code, criteria which are substantially similar with those provided by the Company law

George Băeșu	46	Member – independent <sup>1</sup> First elected at the GMS held on April 22, 2013	He graduated from the Faculty of Law within the Petre Andrei University, sustained his graduation paperwork at the Lucian Blaga University in Sibiu, and was awarded the MA Degree in Business Law by the Nicolae Titulescu University. In 2011 he was awarded the PhD Degree in Law by the University of Bucharest. President of the National Authority for Property Restitution.
Bogdan-Nicolae Badea	38	Member First elected at the GMS held on April 28, 2015	He graduated from the Technical University of Civil Engineering of Bucharest and was awarded the MA Degree in Defense diplomacy at the Lucian Blaga University of Sibiu.
Joseph Bernhard Mark Mobius	80	Member First elected at the GMS held on April 29, 2010	He earned a Bachelor and Master Degree from Boston University and a PhD in economics and political science from the Massachusetts Institute of Technology. Executive Chairman, Templeton Asset Management Ltd.

**b) Any agreements, understanding or family connection between the respective administrators and another person who is responsible for appointing of 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.

**c) The participation of the Supervisory Board members at the share capital of the company.**

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

**d) The list of related parties to the company**

Please see Annex b).

## 4.2. Executive Board

### a) Terms of office for the person who is member of the executive management

The Executive Board's current mandate started in April 2015 and runs until April 2019.  
As of January 1, 2016, OMV Petrom's Executive Board is composed of the following members:

Name	Position
Mariana Gheorghe	Chief Executive Officer and President of the Executive Board
Andreas Matje	Chief Financial Officer
Gabriel Selischi	Member of the Executive Board responsible for Upstream
Neil Anthony Morgan	Member of the Executive Board, responsible for Downstream Oil
Lăcrămioara Diaconu-Pințea	Member of the Executive Board, responsible for Downstream Gas

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 Upstream activity); Neil Anthony Morgan (Executive Board member in charge with Downstream Oil activity); Lăcrămioara Diaconu-Pințea (Executive Board member in charge with Downstream Gas activity)<sup>1</sup>.

In January 2016, Peter Rudolf Zeilinger (1965) was appointed as member of the Executive Board in charge with Upstream activity starting with April 1, 2016 for the remaining term of the mandate granted to Gabriel Selischi, i.e. until April 17, 2019.

### b) 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.

### c) The participation of the respective person at the share capital of the company

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.

## 4.3. The potential litigations and administrative procedures in which the persons presented under Sections 4.1 and 4.2 were involved over the last 5 years

To the best of our knowledge at the time of drafting this report, in 2015 there were no litigations or administrative procedures against any members of the Executive or Supervisory Board of the Company directly linked with their activity in the Company having a significant impact upon the price of the Company shares or the capacity to hold the position of members of such corporate bodies. However, members of the Executive Board might be involved in some court cases or preliminary procedures which do not fall under the aforementioned categories.

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

## 5. Analysis of the Financial Position, Performance and Cash Flows of the Company

Financial highlights, RON mn	Year ended December 31		
	2013	2014	2015
Sales revenues	18,088	16,537	13,952
Gross profit	6,495	4,610	467
EBIT	5,332	3,541	(595)
Net financial result	335	(998)	(102)
Net income/(loss)	4,839	1,837	(631)
Non-current assets	34,461	37,494	36,500
Current assets (including assets held for sale)	4,434	5,680	4,394
Equity	26,165	26,316	25,091
Non-current liabilities	8,073	10,624	11,460
Current liabilities	4,657	6,235	4,343
Cash and cash equivalents at the beginning of the year	557	1,083	946
Net cash generated from operating activities	7,579	5,726	5,971
Net cash used for investment activities	(4,024)	(4,637)	(4,597)
Net cash used for financing activities	(3,029)	(1,247)	(1,662)
Effect of foreign exchange rate changes on cash and cash equivalents	0	21	9
Cash and cash equivalents at the end of the year	1,083	946	666

Ratios	Year ended December 31		
	2013	2014	2015
<b>Liquidity ratios</b>			
Current ratio	0.95	0.91	1.01
Acid test	0.62	0.62	0.65
<b>Risk ratios</b>			
Gearing ratio	4%	6%	4%
Indebtness ratio	5%	4%	4%
<b>Operational ratios</b>			
Stock turnover – days	51	51	46
Days in receivables – days	31	37	42
Tangible assets turnover	0.66	0.56	0.52
Total assets turnover	0.47	0.38	0.34
<b>Profitability ratios</b>			
Net profit margin	27%	11%	(5%)
EBIT margin	29%	21%	(4%)
EBITDA margin	45%	44%	40%
Return on fixed assets (ROFA)	20%	12%	(2%)
Return on equity (ROE)	20%	7%	(2%)

*Please see Annex c) for definitions of the above ratios.*

Compared to 2014, **sales revenues** decreased by 16% to RON 13,952 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. **OMV Petrom** is an integrated oil and gas company. As oil produced by the Upstream segment is processed at the Petrobrazi refinery, the Downstream Oil business segment represents the largest share of total sales to external customers: 69% or RON 9,690 mn (2014: RON 12,658 mn). After elimination of intra-segment sales, the Downstream Gas segment's contribution was RON 4,002 mn or approximately 29% of total sales, 10% above 2014.

**EBIT** for the year 2015 was a loss of RON (595) mn, compared to the positive result of RON 3,541 mn in 2014, being influenced mainly by the following more significant evolutions:

- **Sales revenues** decreased by 16%;
- **Operating expenses** increased by 13%, mainly as:
  - Cost of sales, which include variable and fixed production costs, as well as costs of goods and materials employed, increased with RON 1,568 mn following higher impairment of production assets in Upstream, result of revision of oil price assumptions for both short and long term;
  - Exploration expenses increased with RON 423 mn, mainly in relation with unsuccessful exploration wells (RON 408 mn), as well as increased seismic acquisition;
  - Other operating expense decreased with RON 211 mn compared to 2014, mainly positively impacted by reassessment of provisions for litigations and taxes and lower restructuring costs.
- **Other operating income** increased by 67%, mainly related to the positive outcome of a litigation dispute during 2015;

Considering the significant decline in oil prices in 2015 and increased market volatility, the Company considered indications of impairment are present for Upstream segment. As a result, impairment tests were performed for the Upstream CGUs. The revised assumptions led to total impairments of RON 2,460.67 mn recognized in 2015, covering mainly oil and gas production assets.

The Company's net financial result improved to RON (102) mn in 2015 from RON (998) mn in 2014, previous year result being affected by higher additional provision for risk and charges in relation to the parent company guarantees issued by OMV Petrom for loans granted by OMV Petrom Marketing S.R.L. and OMV Petrom Gas S.R.L. to Tasbulat Oil Corporation LLP and Kom Munai LLP and also by alleged late payment interest charges following a tax review in OMV Petrom S.A., while 2015 was influenced by the positive outcome of a litigation dispute during 2015.

**Net income** decreased to a loss of RON (631) mn in 2015 compared to the positive result from 2014 of RON 1,837 mn, due to the negative impact of the operational results.

As a result of its business activities, OMV Petrom contributed RON 10,675 mn to the Romanian State budget. Out of this amount, direct taxes represent RON 2,061 mn and indirect taxes RON 8,614 mn.

OMV Petrom's contribution to the State budget via direct taxes was mainly represented by profit tax that amounted to RON 435 mn, royalties that amounted to RON 656 mn, social contributions that amounted to RON 345 mn, tax on additional revenue from natural gas sales and on exploitation of mineral resources other than natural gas that amounted to RON 373 mn and tax on special construction that amounted to RON 220 mn.

OMV Petrom's contribution to the State budget via indirect taxes was mainly represented by excise (including custom excise) in amount of RON 6,001 mn, VAT (including custom VAT) in amount of RON 2,192 mn and also employees related taxes amounting to RON 404 mn.

**Total assets** amounted to RON 40,894 mn as of December 31, 2015, down by 5% comparing with 2014 following net decrease in both non-current assets and current assets.

**Non-current assets** decreased by 3% to RON 36,500 mn, compared to the end of 2014 (RON 37,494 mn), as the increase in intangible assets, which is mostly related to the drilling operations at 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.

The ratio of intangible assets and property, plant and equipment to total assets amounted to 72% (2014: 72%).

**Total current assets**, including assets held for sale, decreased by 23% to RON 4,394 mn compared to RON 5,680 mn at the end of 2014, mostly driven by the decrease in receivable related to gas sales, by the lower cash and cash equivalents and by the decrease in inventories due to higher quantities sold.

As at December 31, 2015, the assets held for sale refer to Downstream Gas segment in relation to the envisaged sale of the stake in and the assignment of loans granted to the subsidiary OMV Petrom Wind Power S.R.L. operating Dorobantu wind-park, whose value is expected to be recovered principally through a sale transaction rather than through continuing use, in line with the Company's strategy to focus on core business.

The decrease in equity by RON 1,224 mn is mainly as a consequence of the negative result for current year driven by impairments recognized in Q3/15 and Q4/15, and of the dividends distributed for the 2014 financial year (RON 634 mn). The equity ratio stood at 61% at the end of December 2015 (2014: 61%).

**Total liabilities** decreased by 6% to RON 15,803 mn as of December 31, 2015, due to decrease in current liabilities partially offset by increase in non-current liabilities. Decrease in **current liabilities** was mainly driven by decrease in short-term interest-bearing debts, largely represented by amounts due to affiliates from cash pooling that decreased from RON 1,055 mn at the end of 2014 to RON 363 mn at December 31, 2015. Other decreases in current liabilities are mainly as a result of payments in relation to the fiscal review finalization in OMV Petrom S.A., the reduction in trade payables and decrease in income tax payables. The increase in **non-current liabilities** was mainly influenced by increase in decommissioning and restoration provisions with RON 673 mn (total increase of both short – term and long – term being of RON 745 mn). Also, the long-term provision in relation to the parent company guarantees issued by OMV Petrom for loans granted by OMV Petrom Marketing S.R.L. and OMV Petrom Gas S.R.L. to Tasbulat Oil Corporation LLP and Kom Munai LLP increased to RON 1,790 mn as of December 31, 2015 (December 31, 2014: RON 1,345 mn).

The annual stock count of assets, liabilities and equity was performed according with Romanian legislation (Order no. 2861/2009) and the results were recorded in the financial statements as at December 31, 2015.

### **Cash flow**

The cash flow statement of the Company was prepared using the indirect method, whereby adjustments were made for other non-cash transactions.

**Net cash flow from operating activities** increase with RON 245 mn or 4%, from RON 5,726 mn in 2014, to RON 5,971 mn.

**Net cash outflow from investment activities** decrease with RON 40 mn or 1%, from RON 4,637 mn in 2014 to RON 4,597 mn in 2015.

**Net cash outflow from financing activities** increase with RON 415 or 33% mn from RON 1,247 mn in 2014 to RON 1,662 mn in 2015.

Cash generated from operating activities before working capital movements decreased as compared with 2014, largely due to lower sales. Net cash generated from operating activities slightly increased in 2015, due to decrease in receivables and other assets during the year. Cash outflows were used mainly to sustain the investments, repayment of loans taken from subsidiaries and also for payment of dividends.

## 6. Corporate governance statement <sup>4</sup>

Provisions of the Bucharest Stock Exchange new Corporate Governance Code		Complies	Does not comply or partially complies	Comments
<b>Section A - Responsibilities</b>				
	<b>A.1.</b> 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>
	<b>A.2.</b> 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>
	<b>A.3.</b> 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.
	<b>A.4.</b> The majority of the members of the Board should be non-executive. Not less than two non-executive members of the Board of Directors or Supervisory Board should be independent, in the case of Premium Tier Companies. Each member of the Supervisory Board should submit a declaration that he/she is independent at the moment of 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>OMV Petrom's governance follows a two-tier system, with the Executive Board ensuring the management of the Company under the control and supervision of the Supervisory Board. The Supervisory Board comprises nine members who are all non-executive. Therefore, the balance between executives and non-executives is ensured.</p> <p>The Company conducted an evaluation 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</p>

<sup>1</sup>The statement summarises the main highlights of the Code's provisions. For the full text of the Code please refer to Bucharest Stock Exchange website [www.bvb.ro](http://www.bvb.ro)

Provisions of the Bucharest Stock Exchange new Corporate Governance Code		Complies	Does not comply or partially complies	Comments
				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.
	<b>A.5.</b> 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.
	<b>A.6.</b> Any member of the Board should submit to the Board, information on any relationship with a shareholder who holds directly or indirectly, shares representing more than 5% of all voting rights.	√		The members of the Executive Board and the members of the Supervisory Board have, by law, a duty of care and a duty of loyalty to the Company, stated not only in the Company's Articles of Association but also in other internal regulations. The Company has put in place internal rules on how to deal with conflicts of interest.
	<b>A.7.</b> 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.
	<b>A.8.</b> The corporate governance statement should inform on whether an evaluation of the Board has taken place under the leadership of the chairman or the nomination committee and, if it has, summarize key action points and changes resulting from it. The company should have a policy/guidance regarding the evaluation of the Board containing the purpose, criteria and frequency of the evaluation process.	√		The Supervisory Board approved in December 2015 a Supervisory Board Self-Evaluation Guideline providing the purpose, criteria and frequency of such an evaluation. Based on this Guideline, the Supervisory Board underwent a self-evaluation process for the business year 2015, under the leadership of the President of the Supervisory Board. The outcome of the self-evaluation is presented in the Corporate Governance Report of the Annual Report.
	<b>A.9.</b> 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.	√		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.  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



Provisions of the Bucharest Stock Exchange new Corporate Governance Code		Complies	Does not comply or partially complies	Comments
				of Executive Board members was over 95%. The Supervisory Board report is included in the Annual Report and submitted for Ordinary GMS's approval.
	<b>A.10</b> 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.
	<b>A.11.</b> The Board of Premium Tier companies should set up a nomination committee formed of non-executives, which will lead the process for Board appointments and make recommendations to the Board. The majority of the members of the nomination committee should be independent.		√	The Supervisory Board members are appointed by the GMS, based on a transparent procedure of appointment and with the majority of votes of the shareholders, as provided for in the Company's Articles of Association and applicable law. Prior to the GMS, their CVs are available for the shareholders for consultation, while the shareholders are allowed to supplement the candidates list for the position of member of the Supervisory Board. Establishment of the Nomination Committee is a pending subject for the assessment of the Company.
<b>Section B - Risk management and internal control system</b>				
	<b>B.1</b> 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 Baesu – 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>B.2</b> 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

Provisions of the Bucharest Stock Exchange new Corporate Governance Code		Complies	Does not comply or partially complies	Comments
				Governance Code (which are substantially similar with those provided by the Company law).
	<b>B.3.</b> Among its responsibilities, the audit committee should undertake an annual assessment of the system of internal control.	√		<p>The Terms of Reference for the Audit Committee approved by the Supervisory Board in December 2015, details the roles and functions of the Audit Committee, consisting mainly in:</p> <ul style="list-style-type: none"> <li>- examining and reviewing the annual financial statements and the proposal for profit distribution;</li> <li>- 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;</li> <li>- 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 Board.</li> <li>- reviewing conflicts of interests in transactions of the Company and its subsidiaries with related parties;</li> <li>- evaluating the efficiency of the internal control system and risk management system;</li> <li>- monitoring the application of statutory and generally accepted standards of internal auditing;</li> <li>- receiving regularly a summary of the main findings of the audit reports and evaluating the reports of the internal audit team;</li> <li>- 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.</li> </ul>
	<b>B.4.</b> The assessment should consider the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control reports to the audit committee of the Board, management's responsiveness and effectiveness in dealing with identified internal control failings or weaknesses and their submission of relevant reports to the Board.	√		
	<b>B.5.</b> The audit committee should review conflicts of interests in transactions of the company and its subsidiaries with related parties.	√		
	<b>B.6.</b> The audit committee should evaluate the efficiency of the internal control system and risk management system.	√		
	<b>B.7.</b> 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.	√		
	<b>B.8.</b> Whenever the Code mentions reviews or analysis to be exercised by the Audit Committee, these should be followed by cyclical (at least annual), or ad-hoc reports to be submitted to the Board afterwards.	√		The Audit Committee submits periodic reports to the Supervisory Board on the specific subjects assigned to it.
	<b>B.9.</b> No shareholder may be given undue preference over other	√		The Company applies equal treatment to all its shareholders. According to the

Provisions of the Bucharest Stock Exchange new Corporate Governance Code		Complies	Does not comply or partially complies	Comments
	shareholders with regard to transactions and agreements made by the company with shareholders and their related parties.			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>B.10.</b> The Board should adopt a policy ensuring that any transaction of the company with any of the companies with which it has close relations, that is equal to or more than 5% of the net assets of the company (as stated in the latest financial report), should be approved by the Board following an obligatory opinion of the audit committee and fairly disclosed to the shareholders and potential investors, to the extent that such transactions fall under the category of events subject to disclosure requirements.	√		Company adopted an internal Policy on Related Party Transactions providing for the main principles of review, approval and disclosure of related party transactions, according to the applicable regulations and Company's statutory documents, including the fact that related party transaction that exceed or may be expected to exceed, either single or connected, an annual value of 5% of the Company's net assets in the previous financial year are to be approved by the Supervisory Board following the approval of the Executive Board and based on the review of the Audit Committee of the respective transaction.  OMV Petrom regularly submits reports on transactions with its related parties to the Financial Supervisory Authority and to the Bucharest Stock Exchange. Such disclosure reports are reviewed by the external financial auditor according to the relevant laws in force.
	<b>B.11.</b> 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>B.12.</b> To ensure the fulfillment of the core functions of the internal audit department, it should report functionally to the Board via the audit committee. For administrative purposes and in the scope related to the obligations of the management to monitor and mitigate risks, it should report directly to the chief executive officer.		√	For administrative purposes, the Internal Audit department reports to the Chief Financial Officer, while functionally to the Executive Board. However, the Audit Committee endorses the annual internal audit plan. Moreover, the Audit Committee is regularly informed about the main internal audit findings. Therefore, in our opinion, the independency and objectivity of the internal audit function is not impaired by this reporting structure. Likewise, the Internal Audit Department did not encounter, in its past experience, cases that could be considered as jeopardizing its independence or objectivity due to the reporting lines.
<b>Section C - Fair rewards and motivation</b>				
	<b>C.1.</b> The company should publish a remuneration policy on its website and include in its annual report a remuneration statement on the implementation of this policy during the annual period under review.  Any essential change of the remuneration policy should be		√	The remuneration of the Supervisory Board members is resolved upon by the GMS every year and is made public.  The development of a remuneration policy is being currently analysed.

Provisions of the Bucharest Stock Exchange new Corporate Governance Code		Complies	Does not comply or partially complies	Comments
	published on the corporate website in a timely fashion.			
<b>Section D - Building value through investors' relations</b>				
	<p><b>D.1.</b> 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 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>The Company has a special department dedicated to investor relations that can be contacted via e-mail at <a href="mailto:investor.relations.petrom@petrom.com">investor.relations.petrom@petrom.com</a>.</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"> <li>- Articles of Association – in the Corporate Governance sub-section;</li> <li>- Rules and Procedures of the General Meeting of Shareholders – in the Corporate Governance sub-section;</li> <li>- Detailed professional CVs for all members of the Executive Board and Supervisory Board – in the Corporate Governance sub-section;</li> <li>- Current reports and periodic reports – in the Investor News and Investor Reports and Presentations sub-sections;</li> <li>- Convening notices and supporting materials for the GMS – in the General Meeting of Shareholders sub-section;</li> <li>- Financial calendar and information on other corporate events – in the Events sub-section;</li> <li>- Name and contact information of a person able to provide investors' knowledgeable information on request – in the Contact sub-section;</li> <li>- 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.</li> </ul>
	<b>D.2.</b> 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.
	<b>D.3.</b> 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	√		The Company has a Forecast Policy which is published on its corporate website in the Investor Relations section, Corporate Governance sub-section.

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

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

## Declaration of the management

We confirm to the best of our knowledge that the separate financial statements prepared in accordance with IFRS as requested by Ministry of Finance Order no. 1286/2012 give a true and fair view of the financial position of OMV Petrom S.A. 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 Company, together with a description of the principal risks and uncertainties associated with the expected development of the Company.

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



## 7. Annexes

### a. List of consolidated companies in OMV Petrom Group at December 31, 2015

<b>Parent company</b>			
<b>OMV Petrom S.A.</b>			
<b>Subsidiaries</b>			
<b>UPSTREAM</b>		<b>DOWNSTREAM OIL</b>	
Tasbulat Oil Corporation LLP <sup>1</sup>	100.00%	OMV Petrom Marketing S.R.L.	100.00%
OMV Petrom Ukraine E&P GmbH	100.00%	ICS Petrom-Moldova S.A.	100.00%
OMV Petrom Ukraine Finance Services GmbH	100.00%	OMV Petrom Aviation S.A.	99.99%
Petrom Exploration & Production Ltd.	99.99%	OMV Srbija DOO	99.96%
Kom Munai LLP	95.00%	OMV Bulgaria OOD	99.90%
<b>DOWNSTREAM GAS</b>		<b>CORPORATE &amp; OTHER</b>	
OMV Petrom Gas S.R.L.	99.99%	Petromed Solutions S.R.L.	99.99%
OMV Petrom Wind Power S.R.L.	99.99%		
<hr/>			
<sup>1</sup> Owned through Tasbulat Oil Corporation BVI as holding company.			
<b>Associated company, accounted for at equity</b>			
OMV Petrom Global Solutions S.R.L.			25.00%



**b. The list of the persons affiliated to the company**

<b>Code of Company</b>	<b>OMV Group consolidated companies - including OMV Petrom Group consolidated companies as of 31 December 2015</b>
OMV	OMV Aktiengesellschaft
ABU	OMV Abu Dhabi E&P GmbH
AGGM	AGGM Austrian Gas Grid Management AG
ALAIN	OMV East Abu Dhabi Exploration GmbH
AMIC	Amical Insurance Limited
AWPIP	Adria-Wien Pipeline GmbH
BORA	Borealis AG
BORASC	OMV Samsun Elektrik Üretim Sanayi ve Ticaret A.Ş.
BULG	OMV BULGARIA OOD
DIRA	Diramic Insurance Limited
DTAL	Deutsche Transalpine Oelleitung GmbH
ECOGAS	EconGas GmbH
ECONDE	EconGas Deutschland GmbH
ECONHR	EconGas d.o.o. za opskrbu plinom
ECONHU	EconGas Hungária Földgázkereskedelmi Kft.
ECONIT	EconGas Italia S.r.l.
ELG	Erdöl-Lagergesellschaft m.b.H.
ENERCO	Enerco Enerji Sanayi Ve Ticaret A.Ş.
EPSKG	EPS Etylen-Pipeline-Süd GmbH & Co KG
ERK	Erk Petrol Yatırımları A.Ş.
FREYKG	Freya Bunde-Etzel GmbH&Co. KG
GASTR	OMV Enerji Ticaret Anonim Şirketi
GENOL	GENOL Gesellschaft m.b.H.& Co
GPTHOL	OMV Gaz ve Enerji Holding Anonim Şirketi
GPTRAD	OMV Trading GmbH
HUB	Central European Gas Hub AG
ISERV	OMV - International Services Ges.m.b.H.
KONAI	KOM MUNAI LLP
MAURI	OMV Maurice Energy GmbH
MAURIL	OMV Maurice Energy Limited
MARDEP	Marmara Depoculuk Hizmetleri Sanayi ve Ticaret Anonim Şirketi
MOLDO	ICS PETROM MOLDOVA SA
NZEA	OMV New Zealand Limited
OAFR	OMV (AFRICA) Exploration & Production GmbH
OAUST	OMV AUSTRALIA PTY LTD
OBERMG	OMV (Berenty) Exploration GmbH
OBINA	OMV Bina Bawi GmbH
OCTS	OMV Clearing und Treasury GmbH
OEGOIL	OMV Tellal Hydrocarbons GmbH (former OMV (EGYPT) Oil & Gas Exploration GmbH)
OEPA	OMV Austria Exploration & Production GmbH
OETAL	Transalpine Ölleitung in Österreich Gesellschaft m.b.H.
OFARO	OMV (FAROE ISLANDS) Exploration GmbH
OFFBLG	OMV Offshore Bulgaria GmbH
OFFMOR	OMV Offshore Morondava GmbH
OFS	OMV Finance Services GmbH
OFSNOK	OMV Finance Services NOK GmbH
OFSUSD	OMV Finance Solutions USD GmbH
OGEX	OMV Oil and Gas Exploration GmbH
OGG	GAS CONNECT AUSTRIA GmbH
OGI	OMV Gas & Power GmbH
OGNOND	OMV (Gnondo) Exploration GmbH
OGNOGA	OMV (Gnondo) Exploration S.A.
OGSA	OMV Gas Storage GmbH
OGSG	OMV Gas Storage Germany GmbH
OHUN	OMV Hungária Ásványolaj Korlátolt Felelősségű Társaság
OILEXP	OMV Oil Exploration GmbH
OILPRO	OMV Oil Production GmbH
OIRAN	OMV (IRAN) onshore Exploration GmbH
OJA3	OMV Jordan Block 3 Upstream GmbH
OKH	OMV Kraftwerk Haiming GmbH

<b>Code of Company</b>	<b>OMV Group consolidated companies - including OMV Petrom Group consolidated companies as of 31 December 2015</b>
OLIB	OMV OF LIBYA LIMITED
OMANGA	OMV (Manga) Exploration GmbH
OMAGA	OMV (Manga) Exploration S.A.
OMANMG	OMV (Mandabe) Exploration GmbH
OMBELI	OMV (Mbeli) Exploration GmbH
OMBEGA	OMV (Mbeli) Exploration S.A.
OMVD	OMV Deutschland GmbH
OMVEP	OMV Exploration & Production GmbH
OMVINT	OMV International Oil & Gas GmbH
OMVRM	OMV Refining & Marketing GmbH
OMVSK	OMV Slovensko s.r.o.
ONAMEX	OMV (Namibia) Exploration GmbH
ONAFRU	OMV Offshore (Namibia) GmbH
ONOR	OMV (NORGE) AS
ONTSIN	OMV (Ntsina) Exploration GmbH
ONTSGA	OMV (Ntsina) Exploration S.A.
ONSHOL	OMV Nord Stream II Holding AG
OOYSFO	OMV Oystercatcher Exploration GmbH
OPEI	Preussag Energie International GmbH
OPEUA	OMV Petrom Ukraine E&P GmbH
OPFSUA	OMV Petrom Ukraine Finance Services GmbH
OPGSOL	OMV Petrom Global Solutions S.R.L.
OPK	OMV (PAKISTAN) Exploration Gesellschaft m.b.H.
OSERB	OMV SRBIJA d.o.o.
OSUP	OMV Supply & Trading AG
OTCH	OMV Česká republika, s.r.o.
OTHOLD	OMV Petrol Ofisi Holding Anonim Şirketi
OTNPRO	OMV (Tunesien) Production GmbH
OTNSID	OMV (TUNESIEN) Sidi Mansour GmbH
OTRAD	OMV Supply & Trading Limited
OUK	OMV (U.K.) Limited
OUPI	OMV Upstream International GmbH
OWEAFR	OMV (WEST AFRICA) Exploration & Production GmbH
OYEM70	OMV Block 70 Upstream GmbH
OYEM86	OMV Myrre Block 86 Upstream GmbH
PEARL	Pearl Petroleum Company Limited
PEPL	PETROM EXPLORATION & PRODUCTION LIMITED
PETAV	OMV Petrom Aviation S.A.
PETEX	OMV Petroleum Exploration GmbH
PETGAS	OMV Petrom GAS S.R.L.
PETMED	Petromed Solutions S.R.L.
PIL	Petroleum Infrastructure Limited
POAS	OMV Petrol Ofisi A.Ş.
POGI	Petrol Ofisi Gaz İletim A.Ş.
PORAF	Petrol Ofisi Havacılık Operasyonları A.Ş.
ROMAN	OMV Petrom Marketing S.R.L.
SIOT	SIOT Società Italiana per l'Oleodotto Transalpino SpA
SLOVJA	OMV SLOVENIJA trgovina z nafto in naftnimi derivati, d.o.o.
SNO	OMV Solutions GmbH
TAG	Trans Austria Gasleitung GmbH
TASBU	TASBULAT OIL CORPORATION LLP
TOCBVI	Tasbulat Oil Corporation BVI
VIVTS	VIVA International Marketing- und Handels-GmbH
WINDPP	OMV Petrom Wind Power S.R.L.
YEALMA	OMV (YEMEN) Al Mabrar Exploration GmbH
YEM2	OMV (Yemen Block S 2) Exploration GmbH

### c. Definitions

---

#### **Liquidity ratios**

Current ratio = Current assets/ Current liabilities

Acid test = (Current assets - Inventories)/ Current liabilities

#### **Risk ratios**

Gearing ratio = Net debt/ Equity in %

Net debt = Interest- bearing debts + Liabilities on finance leases- Cash and cash equivalents

Indebtness ratio = Interest- bearing debts (long term)/ Equity in %

Equity ratio = Equity/ (Total Assets) in %

#### **Operational ratios**

Stock turnover – days = Average inventories/ Cost of sales in days

Days in receivables – days = Average trade receivables/ Sales revenues in days

Tangible assets turnover = Sales revenues/ Tangible assets

Total assets turnover = Sales revenues/ Total assets

#### **Profitability ratios**

Net profit margin = Net income for the year/ Sales revenues in %

EBIT margin = EBIT/ Sales revenues in %

EBIT = Earnings before interest and taxes

EBITDA margin = EBITDA/ Sales revenues in %

EBITDA = EBIT + Depreciation and amortization + Net impairment losses

Return on fixed assets (ROFA) = EBIT/ Average fixed assets in %

Return on equity (ROE) = Net income for the year/ Average equity in %

---