

Supervisory Board Report on S.C. OMV PETROM S.A.'s Financial Statements prepared in accordance with MOF no. 3055/2009

In 2011, the Supervisory Board thoroughly reviewed the position and prospects of the OMV Petrom SA ("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 SA and monitored its work, and we were involved in the Company's key decisions. Where required by law, the Articles of Association, or internal regulations, the Supervisory Board adopted resolutions following a comprehensive analysis.

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 Petrom in the plenary meetings, based on the reports of the Executive Board.

The financial statements and Audit Report were presented for Supervisory Board examination in a timely manner. Ernst & Young audited the 2011 financial statements, reviewed the conformity of the Directors Report with the 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 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 financial statements, including the management reports.

Based on our own examination of the financial statements and the management report, we concurred with the results of the audit. The final results of our examination did not lead to any objections.

We have also reviewed and analyzed the attached Executive Board 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, 2011.

Hence, the financial statements prepared in accordance with MOF no. 3055/2009 were approved in today's Supervisory Board meeting in line with the Audit Committee's recommendation and will further be submitted for discussion in the General Meeting of Shareholders to be held on April 27, 2012.

Bucharest, March 23, 2012

Roiss Gerhard
President of the Supervisory Board

A handwritten signature in blue ink, consisting of a stylized 'R' followed by a horizontal line and a small upward stroke.

Appendix 1

Directors' Report on S.C. OMV PETROM S.A.'s Financial Statements prepared in accordance with MOF no. 3055/2009

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, modified by Law no. 70/April 1998. The Company is registered with the Trade Register under number J40/8302/1997. The Company has as main activities in exploration and production and related services, refining and marketing, gas supply, chemicals, gas and power production. Petrom unfolds its activity either directly or through its affiliates in Romania, Kazakhstan (only Exploration and Production) and Bulgaria, Serbia and Republic of Moldova (only Marketing). A 6.21% stake of the Company's shares are free float, traded on Bucharest Stock Exchange

The Company is the parent company of Petrom Group. The annual consolidated financial statements are prepared by the Company. In its turn, the parent company OMV Petrom 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 (both for the OMV Group's and for Petrom Group) are public and may be obtained from the companies' websites, i.e. www.omv.com and www.petrom.com.

OMV Petrom has vertical integrated activities and presents the following reportable segments: Exploration and Production, Refining and Marketing, Gas and Power, Corporate and Other.

The total share capital amounts to RON 5,664,410,833.50, representing 56,644,108,335 shares with a nominal value of RON 0.1 per share.

Shareholder Structure as at December 31, 2011

	<u>No. of shares</u>	<u>Percent</u>
OMV Aktiengesellschaft	28,894,467,414	51.01%
Ministry of Economy	11,690,694,418	20.64%
Property Fund S.A.	11,391,130,186	20.11%
European Bank for Reconstruction and Development	1,147,770,061	2.03%
Legal entities and physical persons	<u>3,520,046,256</u>	<u>6.21%</u>
Total	<u>56,644,108,335</u>	<u>100.00%</u>

Main factors and influences determining financial position and performance

Summarized Balance Sheet of OMV Petrom S.A.

Item and related Balance Sheet line	December 31, 2010 MRON	December 31, 2011 MRON
Non-current assets		
Tangible and intangible assets (row 06+11)	19,912	22,322
Investments in associate and other financial assets (row 18)	6,712	6,246
Current assets		
Inventories (row 24)	1,829	1,696
Accounts receivables and prepayments (row 30+36)	2,234	2,989
Cash and cash equivalents (row 34)	1,416	567
Total assets	32,103	33,820
Current liabilities		
Interest bearing bank loans (row 38)	391	470
Trade payables (row 39+40)	2,910	2,337
Other current liabilities (row 42+44)	1,584	1,871
Non-current liabilities		
Interest bearing bank loans (row 49+53)	3,466	2,197
Other non-current liabilities (row 55+61+62)	55	91
Provisions (row 60)	7,502	7,963
Equity		
Shareholder's equity (row 86)	16,195	18,891
Total liabilities and equity	32,103	33,820

Non-current assets mainly consist in tangible and intangible assets, out of which oil and gas assets in E&P segment represent the biggest part. The increase in 2011 is mainly driven by significant investments related to E&P for development wells, workover activities and subsurface operations, as well as to R&M, Gas & Power and Corporate projects.

Non-current assets also include:

- the non-current receivable to be reimbursed by the Romanian State for decommissioning of wells, as well as for other environmental obligations in E&P, Refining and Marketing and Doljchim amounting to 2,634 MRON (2010: 2,459 MRON).
- net investments in shares amounting to 1,955 MRON (2010: 2,050 MRON) and loans given to subsidiaries amounting 1,647 MRON (2010: 2,195 MRON)

Current assets include cash and cash equivalents amounting 567 MRON, which decreased from 1,416 MRON in previous year, mainly due to reimbursement of loans and payment of dividends.

Inventories amounting to 1,696 MRON decreased in comparison with previous year (2010: 1,829 MRON) mainly due to impairment of unusable materials in E&P, lower advance payments and lower crude oil stocks.

Accounts receivable and other assets increased by 755 MRON in comparison with previous year, mainly due to trade receivable and increase in short term portion of loans given to subsidiaries.

Current liabilities consist mainly of trade payables amounting to 2,337 MRON, amounts owed to affiliates from cash pooling of 831 MRON, short term loans, and other short term liabilities of RON 1.040 mn representing mainly taxes due and liabilities related to hedging. Total decrease of current liabilities compared with 2010 values was influenced by lower trade payables partially offset by an increase in royalties, income tax and other taxes liabilities.

Non-current liabilities mainly consist in provisions for decommissioning obligations (6,102 MRON), environmental obligations (486 MRON), retirement benefits (185 MRON), litigation provisions (558 MRON), restructuring provisions (129 MRON), and other provisions for risks and charges (501 MRON). The increase mainly results from the set-up of a provision for the fine received from the Romanian Competition Council (RON 366 mn) and provision booked for closure of the Arpechim refinery.

Another important portion of 2,197 MRON (2010: 3,466 MRON), represented by long-term loans received (EBRD, EIB and from Black Sea Trade and Development Bank) with maturity between 2 and 9 years, decreased as a result of reimbursement of first and second club deal loans during 2011.

The Company's equity position increased from 16,195 MRON at the beginning of the year to 18,891 MRON as at December 31, 2011. The increase is mainly due to the net profit generated by the Company during the year (3,686 MRON), partially compensated by the payment of 2010 dividends (1,003 MRON).

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, 2011.

Summarized Income Statement of OMV Petrom S.A.

Item and related Income Statement line	December 31, 2010 MRON	December 31, 2011 MRON
Net turnover (row 01)	13,953	16,565
Movements in stocks of finished goods (row 07, 08)	87	(215)
Own work capitalized (row 09)	246	476
Other operating revenues (row 10)	344	206
Total operating revenues (row 12)	14,630	17,032
Raw materials and consumables expenses (row 13)	1,214	1,224
Other materials expenses (row 14)	39	37
Other utilities expenses (row 15)	417	354
Purchases of goods for resale (row 16,17)	2,194	2,678
Salary expenses (row 18)	1,919	1,784
Adjusting the value of tangible and intangible assets (row 21)	1,987	2,252
Adjusting the value of current assets (row 24)	(56)	28
Provisions for risks and charges (row 32)	(485)	(183)
Other operating expenses (row 27)	4,199	3,824
Total operating expenses (row 35)	11,428	11,998
Operating result (row 36)	3,202	5,034
Financial revenues (row 45)	910	686
Financial expenses (row 52)	1,897	1,241
Financial result (row 53, 54)	(987)	(555)
Gross profit (row 63)	2,215	4,479
Tax on profit (row 65)	416	793
Net result (row 67)	1,799	3,686

OMV Petrom's EBIT amounted to 5,034 MRON with 1,832 MRON higher than in 2010, being the result of favorable crude price environment and strict cost management measures.

Company's financial result improved in 2011 by 432 MRON compared with 2010, when significant impairments of financial assets were recorded.

EBIT per segments of activity	December 31, 2010 MRON	December 31, 2011 MRON
Exploration & Production	3,515	5,567
Gas & Power	84	6
Refining & Marketing	(137)	(326)
Corporate & Other	(134)	(70)
EBIT Consolidation ¹	(126)	(143)
Total	3,202	5,034

¹ EBIT Consolidation result represents the inter-segmental profit elimination.

E&P segment EBIT increased by MRON 2,052, from MRON 3,515 in 2010 to MRON 5,567 in 2011, driven mainly by the favorable oil price development.

EBIT of **R&M** this year resulted in a decrease of MRON 189 from MRON (137) in 2010 to MRON (326) in 2011. Despite improved cost position and strong operational improvements in Refining which more than offset higher costs for crude consumption and lower margins, the result was significantly burdened by the provision booked for the fine imposed by the Romanian Competition Council. The fine amounts to RON 336 mn and came as a result of the antitrust investigation regarding the withdrawal of the retail product Eco Premium from the Romanian fuel market.

In the **G&P** segment, EBIT was MRON 6, lower than the MRON 84 result in 2010, mainly affected by the increased cost of gas supply, due to the higher import quota, higher import prices and also by the negative effect of the ANRE order, enforcing gas basket consumption to internal non-technological usage. On the other hand, the negative result in Doljchim in 2011 was reduced, due to the ongoing closure process.

Ratios	December 31, 2010	December 31, 2011
Risk ratios		
Indebtness ratio	21.40%	11.63%
Interest cover	18.2	62.2
Profitability ratios		
Return on capital employed (%) ROCE	11.91%	21.53%
Gross margin reported to turnover (%)	15.88%	27.04%
Earnings per share (RON)	0.032	0.065

Financial Investments

OMV Petrom S.A' financial investments in subsidiaries and associated companies are presented below, as follows:

Company Name	Headquarters	Share interest percentage
Subsidiaries (>50%)		
OMV PETROM MARKETING SRL	Bucharest, Romania	100.00%
ICS PETROM MOLDOVA SA	Chisinau, Republic of Moldova	100.00%
TASBULAT OIL CORPORATION LLP*)	Aktau, Republic of Kazakhstan	100.00%
KORNED LLP	Aktau, Republic of Kazakhstan	100.00%
OMV PETROM GAS SRL	Bucharest, Romania	99.99%
PETROM DISTRIBUTIE GAZE SRL	Bucharest, Romania	99.99%
PETROM AVIATION SA	Bucharest, Romania	99.99%
OMV PETROM WIND POWER SRL	Constanta, Romania	99.99%
PETROM LPG SA	Bucharest, Romania	99.99%
PETROMED SOLUTIONS SRL	Bucharest, Romania	99.99%
OMV BULGARIA OOD	Sofia, Bulgaria	99.90%
OMV SRBIJA DOO	Belgrade, SRBIJA	99.90%
PETROM NADLAC SRL	Arad, Romania	98.51%
KOM MUNAI LLP	Aktau, Republic of Kazakhstan	95.00%
PETROCHEMICALS ARGES SRL	Arges, Romania	95.00%
TRANS GAS SERVICES SRL	Bucharest, Romania	80.00%
PETROM EXPLORATION & PRODUCTION LIMITED	Ioma House, Douglas, IMI IAP	50.00%
Associated companies (20-50%)		
FRANCIZA PETROM 2001 SA	Arges, Romania	40.00%
BRAZI OIL & ANGHELESCU PROD COM SRL	Prahova, Romania	37.70%
FONTEGAS PECO MEHEDINTI SA	Mehedinti, Romania	37.40%
CONGAZ SA	Constanta, Romania	28.59%
ASOCIATIA ROMANA PENTRU RELATIA CU INVESTITORII	Bucharest, Romania	20.00%

*) – Owned through Tasbulat Oil Corporation BVI

Environmental impact

OMV Petrom addresses issues involving environmental impacts, along the entire business's value chain from upstream to downstream activities as well as to product quality. The Company is working towards the efficient management of energy and natural resources as well as control of emissions and discharges into environment.

Compliance with environmental regulations is monitored at the site level and by business segments using several IT tools and programs. HSE legal compliance audits were also performed in 2011 for the Company's operations.

Carbon and energy management

Generally, all measures taken by Petrom to improve energy efficiency contribute directly to the reduction of greenhouse gases in both Refining and E&P segments. Petrobrazil refinery optimized the flare gas utilization meaning 73,000 t CO₂ equivalent savings per year. Likewise, the ongoing restructuring process results in significant reductions of energy intensity, which led to 31,000 t CO₂ equivalent reduction by the end of 2011, and showing reduction potential of another ~200,000 t CO₂ equivalent by 2015. Petrom E&P achieved reductions of 19,000 t CO₂ equivalent per year by modernization programs, showing further potential savings of 320,000 t CO₂ equivalent until 2016. Petrom also pursued developing low carbon energy projects. To this end, Petrom built a 45 MW wind farm in Dorobantu, which started commercial operation in 2011 and an 860 MW gas-fired power plant in Brazi, with an efficiency of 57%, expected to start commercial operation in the second half of 2012.

Water management

Efficient water management is a key issue in Petrom's operations, especially in E&P and Refining. In 2011, the external sewage system at the Petrobrazil refinery was refurbished while the internal sewage system was 80% revamped to minimize the amount of treated waste water. Project design for revamping the waste water treatment plant was finalized. Petrom E&P – Asset Petromar implemented a Water Management Plan which resulted in 9% reduction of fresh water consumption, with 4% more than initially planned.

Waste and spill management

Waste management is a key issue for Petrom. During 2011, the Company performed significant remediation activities related to sludge lagoons in Arpechim and Petrobrazil refineries and cleaning of E&P sludge pits.

As spills are of major concern, Petrom focuses to continuously reduce them. In 2011, upgrades were performed to reduce leakages at gathering stations, metering points and processing parks in the E&P business. Replacement of old and obsolete oil and gas gathering facilities with new production manifolds was finalized. Petrom is also in the process of constructing and re-lining its priority oil and gas pipelines to maintain system integrity. In 2011, Petrom replaced and modernized 215 km of pipelines.

Employees

The average number of employees is presented below, and was calculated as average headcount as of beginning and end of the years.

	Year	Year
	2010	2011
The average number of employees	25,176	22,052

Number of employees decreased as a consequence of the continued restructuring program assumed by the Company in order to improve efficiency.

Outlook for 2012

We expect the average oil price for 2012 to be above USD 100/bbl. and the Brent-Urals spread to remain tight.

According to official statistical data, the outlook for Romania's GDP envisages a 1.5% growth in 2012 but there is a considerable uncertainty surrounding this figure. External demand is expected to continue playing an important role in the revival of the economy. This, in turn, will be conditioned to a large extent by economic and financial developments in the euro area. The continuation of domestic structural reforms should increase the economy's ability to respond better to economic shocks.

In order to support the company's sustainable development and growth potential, we continue our significant investment efforts while maintaining a sound financial position, with CAPEX plans for 2012 being around EUR 1 bn. Furthermore, based on the strong preliminary results and financial position, we take into consideration the allocation of dividends for 2011. The Company's investment budget and dividend allocation are subject to further approval by the General Meeting of Shareholders, on April 27, 2012.

In **E&P**, our main objective is to further stabilize production volumes and unlock E&P potential, mainly through field redevelopment projects, production optimization and exploration. Moreover, our focus will be on continued strict cost management and further streamlining the organization. Optimization of oil and gas production will be achieved by applying the latest technologies as well as through partnerships with other operators in selected fields. We will further progress the redevelopment of our key oil fields, mainly focusing on water and steam injection. By setting up additional gas field redevelopment projects, we will continue to optimize the gas production systems and modernize facilities and equipment in selected major fields. Concerning exploration, our aim is to unlock the deep onshore and deepwater offshore exploration potential. Together with ExxonMobil, we will finalize drilling the first deep water exploration well in the Romanian sector of the Black Sea, located in the Neptun block. Furthermore, in 2012 we pursue the appraisal of the Totea field, which might confirm the most important onshore gas discovery in Romania in the past six years.

In **G&P**, we maintain an increased focus on the Brazi power plant where full commercial operation is now anticipated for the second half of 2012. The start-up of the gas-fired power plant in Brazi will mark 2012 as OMV Petrom's first operational year in the power business. Further to recent changes in gas legislation, the Brazi power plant must be supplied with "basket gas". As such, the Company must partly import gas for the power plant rather than use its own natural gas production, imposing a substantial financial burden on the G&P segment's profitability. As regards the liberalization of gas and electricity prices, we will closely follow the regulatory requirements as outlined by the IMF/EU and the Romanian Government, to be reflected in the implementation of the EU Third Energy Package (unbundling) in Romania.

In **R&M**, we will continue our efforts concerning stringent cost management and optimization of the underlying operational performance of the business. Refining margins, while expected to improve from the lows in 2011 due to capacity reductions, will remain under pressure. At Petrobrazi, we aim to finalize the modernization of the crude vacuum distillation unit by mid-2012, thus improving refinery utilization and product yields and enabling the processing of 100% of Romanian crude production. A six-week planned shutdown is scheduled for the second quarter in order to commission the modernization project.

Risk Management

OMV Petrom, as an integrated oil company, is exposed to many different risks, such as international economic climate and other factors that are specific for the oil and gas business. Risk awareness within OMV Petrom is reflected in an integrated report which is given twice per year each May and October by Corporate Risk & Insurance Management Department ("Risk Management function").

Risks are monitored at corporate level and also at business division level. In order to mitigate some of the risks, appropriate insurances were contracted where possible and applicable.

Financial risk management objectives and policies

The Company does not enter into or trade financial instruments for speculative purposes. The Risk Management function reports to Executive Board and Supervisory Board's Audit Committee, that monitors all risks and policies implemented to mitigate the Company's risk exposures.

Risk Exposures and responses

The Company's Risk Management function actively pursues the identification, analysis, evaluation and treatment of all risks (market & financial, operational and strategic) in order to minimize their effects on Company's cash flow up to an acceptable level agreed as the risk appetite.

The Risk Management function monitors and manages all risks of through and integrated process in line with ISO 31000, by internal risk reports and regular assessments which analyze all risk exposures and their cash flow magnitude in comparison with the risk appetite.

Aside the business operational and strategic category of exposures, the market & financial risk category plays an important role in the Company's risk profile and is managed with special diligence – market & financial risk includes, among others, foreign exchange risk, interest rate risk, counterparty credit risk, commodity market price risk and liquidity risk.

The objective of Risk Management function is to secure positive economic value added for medium term time horizon by managing the Company's consolidated cash flow exposure below the risk appetite. High potential single event risks are monitored individually.

The Company's Corporate Treasury function supports the business with financing services and co-ordinates the access to domestic and international financial markets thus securing the liquidity risk.

Foreign exchange and inflation risk management

The Company undertakes transactions denominated in other currencies, including US Dollars and EUR. The Company is mostly exposed to the movement of Dollars and EUR against the Romanian Leu, while other currencies have very limited impact on cash flow and EBIT. The exposure to foreign exchange risk is continuously monitored and managed by the Company. The official exchange rates at December 31st, 2011 were RON 3.3393 to USD 1 and RON 4.3197 to EUR 1 (31 December 2010: RON 3.2045 to USD 1 and RON 4.2848 to EUR 1).

The official inflation rate in Romania, during the year ended December 31, 2011 was under 10% (respectively 3.1%) as provided by the National Commission for Statistics of Romania. The cumulative inflation rate for the last 3 years was under 100%. This factor, among others, led to the conclusion that Romania is not a hyperinflationary economy starting with January 1, 2004.

Commodity market price risk management

Commodity Market Risk wise, the Company is naturally exposed to the market risks arising out of the price driven volatility of the cash flows generated by production, refining and marketing activities associated with crude oil, oil products, gas and electricity. The market risk has core strategic importance within the Company's risk profile and the company's midterm liquidity. The market price risks of the Company's commodities are very closely analyzed, quantified, evaluated and mitigated when required in order to secure their expected returns within the Company's midterm objectives.

OMV Petrom being in continuous development expansion, all the new business processes are fully integrated, with systematic understanding and analysis of the risks. Risk treatment consists of risk transfer (like hedging strategies or insurance policies), risk mitigation or risk retention, trying to reach the optimal level of risk suitable to the company.

Financial instruments are used for the purposes of managing exposure to currency, commodity price and interest rate movements, being evaluated at OMV Group level, considering OMV Petrom's needs and being approved by OMV Petrom's Executive Board.

In order to protect the Company's cash flow in 2012, OMV Petrom continued using the same hedging strategy for 2012 as well, and in September 2011 entered into oil price swaps, locking in a Brent price of USD 101/bbl. for a volume of 30,000 bbl./d, which is around 30% of the its 2012 total planned crude oil production. These hedged volumes are covered until the end of 2012. The hedge results will be settled on a quarterly basis in 2012.

In 2011 OMV Petrom entered into oil price swaps, locking in a Brent price of approximately USD 97/bbl. for a volume of 25,000 bbl. /d, which was 30% of the domestic crude oil production. These hedged volumes were covered until the end of 2011.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The main counterparty credit risks are assessed monitored and managed using predetermined limits for specific countries, banks and business partners. On the basis of creditworthiness, all counterparties are assigned maximum permitted exposures in terms of credit limits (amounts and maturities), and the creditworthiness assessments and granted limits are reviewed on a regular basis. For all counterparties depending on their liquidity

class, parts of their credit limits is secured via liquid contractual securities such as bank guarantee letters, credit insurance and other similar instruments. The credit limit monitoring procedures are governed by strict guidelines.

The Company does not have any significant credit risk concentration exposure to any single counterparty or any group of counterparties, outside the group, having similar characteristics.

In the normal course of its business, the Company incurs credit risk from trade debtors and on funds deposited at the financial institutions. Management closely monitors its exposure to credit risk on a regular basis.

Liquidity risk management

For the purpose of assessing liquidity risk, budgeted operating and financial cash inflows and outflows throughout the Company are monitored and analyzed on a monthly basis in order to establish the expected net change in liquidity.

This analysis provides the basis for financing decisions and capital commitments. To ensure that the Company remains solvent all the times and retains the necessary financial flexibility, liquidity reserves in form of committed credit lines are maintained.

For the medium and long –term liquidity risk, the entire Risk Management process in the Company is focused on maintaining cash within acceptable levels. Response wise, as most of the company's liquidities are generated by the sale of oil products, gas and electricity, the main tool for managing medium to long term liquidity risk is the commodity market price risk management process – which uses only when required conservative hedging strategies.

Significant events occurred after the end of the financial year

On January 9, 2012, Petrom announced having started exploration drilling on Domino-1, the first deepwater exploration well in the Romanian sector of the Black Sea, together with ExxonMobil Exploration and Production Romania Limited (EEPRL), an affiliate of Exxon Mobil Corporation. On February 22, 2012, Petrom confirmed a potentially significant gas discovery in Domino-1. The exploration well encountered 70.7 meters of net gas pay, resulting in a preliminary estimate for the accumulation ranging from 1.5 to 3 trillion cf (42 to 84 bn cbm). Still, it is too early in the data evaluation and exploration process to determine whether the Neptun block will ultimately prove to be commercially developable or not.

On March 16, 2012, OMV Bulgaria OOD has been notified upon infringement of the competition rules by the Bulgarian Competition Council. OMV Bulgaria OOD has been provided 30 days to provide written arguments and evidence. At the date of these financial statements, we are not able to evaluate the outcome of this investigation and we did not record any provision.

Activities in the field of research and development

Except for its exploration activities, the Company is not involved in research and development activities.

Corporate Governance

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

The Company has therefore always conferred great importance to the principles of good corporate governance and since 2010 financial year adheres to the principles laid down in the Code of Corporate Governance issued by the Bucharest Stock Exchange.

Governance structures

OMV Petrom's governance follows the two-tier system, comprised of an **Executive Board**, which manages the daily operations, and a **Supervisory Board** appointed by the shareholders via the general shareholders meeting to act as a supervising body of the Executive Board's activity. The powers and duties of such corporate bodies are detailed in the Company's Articles of Association and the relevant internal regulations.

General Meeting of Shareholders

The General Meeting of Shareholders (GMS) shall be convened by the Executive Board whenever this is necessary, in accordance with the provisions of the law. The date of the GMS may not be less than 30 (thirty) days after publishing the convening notice in the Official Gazette of Romania part IV. The convening notice shall be published in the Official Gazette of Romania, part IV and in one of the widely-distributed newspapers in Romania. In exceptional cases, when the Company's interest requires it, the Supervisory Board may convene the GMS. The convening notice will be disseminated to the Bucharest Stock Exchange and National Securities Commission in accordance with the capital markets regulations. The convening notice will also be made available on the Company's website under the respective General Meeting of the Shareholders menu, together with any explanatory document related to items included on the GMS agenda. The annual financial statements are made available starting with the date of the convening notice of the Ordinary GMS convened to resolve upon them.

General Meeting of the Shareholders organization

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

The minutes, 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 the capital market regulations, the resolutions of the GMS will be disseminated to the Bucharest Stock Exchange and National Securities Commission within 24 hours after the event. The resolutions will also be made available on the Company's website under the respective General Meeting of the Shareholders menu.

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 members of the Executive Board and of the members of the Supervisory Board, to evaluate their performance and to discharge them of their liability in accordance with the provisions of the 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.

An **Audit Committee** comprising four Supervisory Board members is established to provide assistance to the Supervisory Board governing bodies of OMV Petrom in the area of internal control and financial reporting. The Audit Committee supervises the Company's risk management strategy and its financial performance, and examines the reports of the internal auditors. In line with the Companies Law, the Audit Committee also includes members that have the necessary financial audit and accounting expertise. Moreover, at least one of the committee members meets the independence criteria laid down by the Companies Law.

Internal control

The Supervisory Board is responsible for reviewing OMV Petrom's system of internal control effectiveness and has delegated authority to the Audit Committee to assist it in fulfilling its responsibilities in relation to internal control and financial reporting.

The Company has implemented an internal control system which includes activities organized 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 internal control system covers all areas of company's 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 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 Company's 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 in scope of the internal control system. They are assessed to identify risky and critical activities.
Risk Mitigation via Control Activities	Control activities and measures (such as segregation of duties, checks, approvals, IT access rights) are defined, implemented and performed to mitigate significant process and compliance risks.
Documentation and Information	Related duties include the documentation of main processes and procedures containing a description of key control activities performed.
Monitoring and Audit	Management and Internal Audit and evaluating the effective implementation of the internal control system

Comprehensive set of standards, prerequisite for a proper internal control

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

BMS includes the following elements: Business Management Manual, which is a description of the Business Management System and OMV Petrom Corporate Regulations. Corporate Affairs and Compliance department is responsible for the BMS coordination. This department provides support to the various entities in view of achieving regulatory requirements, coordinates the elaboration of corporate regulations and provides a quality check, ensures posting of Executive Board approved corporate regulations on OMV Petrom's intranet and communicates their enactment. There is a corporate directive in place that sets out the classification, definition and standardized structure of corporate regulations (e.g. instructions, standards, directives, guidelines, recommendations etc.) as well as their elaboration, communication, monitoring and reporting process.

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

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

Based on our own examination, we confirm, to the best of our knowledge, that the financial statements, prepared in accordance with applicable accounting standards, give a true and fair view of the financial position of OMV Petrom as of December 31, 2011, its financial performance and its cash flows for the year ended as of December 31, 2011.

March 23, 2012

Bucharest

Mariana Gheorghe
Chief Executive Officer
President of the Executive Board

