

S.C. OMV PETROM S.A.
CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2014**

**PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING
STANDARDS AS ENDORSED BY THE EUROPEAN
UNION, TOGETHER WITH
THE INDEPENDENT AUDITORS' REPORT**

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of S.C. OMV Petrom S.A.

1. We have audited the accompanying consolidated financial statements of OMV Petrom S.A. and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

2. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as endorsed by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2014 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as endorsed by the European Union.

Report on other legal and regulatory requirements

In accordance with the Order of the Minister of Public Finance no. 1286/2012, article no. 30 point c) from Chapter III, we have read the Directors' Report. The Directors' Report is not a part of the consolidated financial statements. In the Directors' Report we have not identified any financial information which is not in accordance, in all material respects, with the information presented in the accompanying consolidated financial statements as at 31 December 2014.

On behalf of

Ernst & Young Assurance Services SRL

Registered with the Chamber of Financial Auditors in Romania
Nr. 77/ 15 August 2001

Name of signing person: Bogdan Ion
Registered with the Chamber of Financial Auditors in Romania
Nr. 1565/ 29 July 2004



Bucharest, Romania
24 March 2015

S.C. OMV PETROM S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2014
(all amounts are expressed in million RON, unless otherwise specified)

	Notes	December 31, 2014	December 31, 2013
ASSETS			
Intangible assets	6	1,656.88	814.73
Property, plant and equipment	7	32,289.64	30,659.38
Investments in associated companies	8	35.30	42.71
Other financial assets	9	2,191.79	2,143.45
Other assets	10	21.34	22.34
Deferred tax assets	18	1,047.78	877.28
Non-current assets		37,242.73	34,559.89
Inventories	11	2,250.05	1,996.29
Trade receivables	9	1,424.37	1,429.24
Other financial assets	9	388.87	302.67
Other assets	10	537.06	314.67
Cash and cash equivalents		1,267.98	1,408.24
Current assets		5,868.33	5,451.11
Assets held for sale	12	13.71	35.87
Total assets		43,124.77	40,046.87
EQUITY AND LIABILITIES			
Share capital	13	5,664.41	5,664.41
Reserves		21,377.16	21,006.10
Stockholders' equity		27,041.57	26,670.51
Non-controlling interests		(36.29)	(28.83)
Total equity		27,005.28	26,641.68
Provisions for pensions and similar obligations	14	283.01	303.95
Interest-bearing debts	15	1,588.96	1,253.73
Provisions for decommissioning and restoration obligations	14	7,254.92	5,778.13
Other provisions	14	553.85	601.80
Other financial liabilities	16	279.10	289.28
Deferred tax liabilities	18	-	11.05
Non-current liabilities		9,959.84	8,237.94

The notes on pages 10 to 71 form part of these consolidated financial statements.

S.C. OMV PETROM S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2014
(all amounts are expressed in million RON, unless otherwise specified)

	Notes	December 31, 2014	December 31, 2013
Trade payables	16	2,899.24	2,958.26
Interest-bearing debts	15	273.67	189.04
Income tax liabilities		329.09	258.76
Other provisions and decommissioning	14	1,108.93	651.84
Other financial liabilities	16	664.46	318.87
Other liabilities	17	884.26	790.37
Current liabilities		6,159.65	5,167.14
Liabilities associated with assets held for sale	12	-	0.11
Total equity and liabilities		43,124.77	40,046.87

These consolidated financial statements were approved on March 24, 2015.



Mrs. Mariana Gheorghe
Chief Executive Officer



Mr. Andreas Matje
Chief Financial Officer



Mr. Gabriel Selischi
E.B. Member Exploration & Production



Mr. Cristian Secoșan
E.B. Member Gas & Power



Mr. Neil Morgan
E.B. Member Refining & Marketing



Mrs. Alina Popa
Director Finance Department



Mr. Eduard Petrescu
Head of Financial Reporting

S.C. OMV PETROM S.A. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2014
(all amounts are expressed in million RON, unless otherwise specified)

	Notes	December 31, 2014	December 31, 2013
Sales revenues	27	21,541.26	24,185.22
Direct selling expenses		(479.70)	(646.20)
Cost of sales		(15,815.11)	(15,484.69)
Gross profit		5,246.45	8,054.33
Other operating income	19	315.73	298.26
Selling expenses		(1,077.68)	(1,090.38)
Administrative expenses		(189.21)	(193.56)
Exploration expenses		(156.17)	(423.45)
Other operating expenses	20	(800.82)	(687.34)
Earnings before interest and taxes (EBIT)		3,338.30	5,957.86
Income from associated companies	8, 22	10.67	4.40
Interest income	23	72.33	205.90
Interest expenses	23	(549.15)	(360.20)
Other financial income and expenses	24	37.03	(109.36)
Net financial result		(429.12)	(259.26)
Profit from ordinary activities		2,909.18	5,698.60
Taxes on income	25	(809.51)	(874.56)
Net income for the year		2,099.67	4,824.04
thereof attributable to stockholders of the parent		2,102.67	4,820.85
thereof attributable to non-controlling interests		(3.00)	3.19
Basic and diluted earnings per share in RON	26	0.0371	0.0851

These consolidated financial statements were approved on March 24, 2015.



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Chief Executive Officer



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Mrs. Alina Popa
Director Finance Department



Mr. Eduard Petrescu
Head of Financial Reporting

The notes on pages 10 to 71 form part of these consolidated financial statements.

S.C. OMV PETROM S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2014
(all amounts are expressed in million RON, unless otherwise specified)

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Net income for the year	2,099.67	4,824.04
Exchange differences from translation of foreign operations	<u>(29.73)</u>	<u>(4.36)</u>
Total of items that may be reclassified ("recycled") subsequently to the income statement	<u>(29.73)</u>	<u>(4.36)</u>
Remeasurement gains/ (losses) on defined benefit plans	<u>(21.01)</u>	<u>-</u>
Total of items that will not be reclassified ("recycled") subsequently to the income statement	<u>(21.01)</u>	<u>-</u>
Income tax relating to items that may be reclassified ("recycled") subsequently to the income statement	<u>(19.21)</u>	<u>2.73</u>
Income tax relating to items that will not be reclassified ("recycled") subsequently to the income statement	<u>3.36</u>	<u>-</u>
Total income tax relating to components of other comprehensive income	<u>(15.85)</u>	<u>2.73</u>
Other comprehensive income for the year, net of tax	<u>(66.59)</u>	<u>(1.63)</u>
Total comprehensive income for the year	<u>2,033.08</u>	<u>4,822.41</u>
thereof attributable to stockholders of the parent	2,040.50	4,818.27
thereof attributable to non-controlling interests	(7.42)	4.14

The notes on pages 10 to 71 form part of these consolidated financial statements.

S.C. OMV PETROM S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2014

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

	Share capital	Revenue reserves	Translation of foreign operations	Other reserves	Treasury shares	Stockholders' equity	Non-controlling interests	Total equity
Balance at January 1, 2014	5,664.41	21,000.68	72.63	(67.19)	(0.02)	26,670.51	(28.83)	26,641.68
Net income for the year	-	2,102.67	-	-	-	2,102.67	(3.00)	2,099.67
Other comprehensive income/(loss) for the year	-	(17.65)	(145.39)	100.87	-	(62.17)	(4.42)	(66.59)
Total comprehensive income/(loss) for the year	-	2,085.02	(145.39)	100.87	-	2,040.50	(7.42)	2,033.08
Dividends distribution	-	(1,744.63)	-	-	-	(1,744.63)	(0.04)	(1,744.67)
Other increases	-	-	-	75.19	-	75.19	-	75.19
Balance at December 31, 2014	5,664.41	21,341.07	(72.76)	108.87	(0.02)	27,041.57	(36.29)	27,005.28

Note: For details on equity components, see Note 13.

The notes on pages 10 to 71 form part of these consolidated financial statements.

S.C. OMV PETROM S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2013

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

	Share capital	Revenue reserves	Translation of foreign operations	Other reserves	Treasury shares	Stockholders' equity	Non-controlling interests	Total equity
Balance at January 1, 2013	18,983.37	4,396.08	60.91	(2.07)	(0.02)	23,438.27	(32.93)	23,405.34
Net income for the year	-	4,820.85	-	-	-	4,820.85	3.19	4,824.04
Other comprehensive income/(loss) for the year	-	-	11.72	(14.30)	-	(2.58)	0.95	(1.63)
Total comprehensive income/(loss) for the year	-	4,820.85	11.72	(14.30)	-	4,818.27	4.14	4,822.41
Dividends distribution	-	(1,586.03)	-	-	-	(1,586.03)	(0.03)	(1,586.06)
Adjustments to share capital and revenue reserves	(13,318.96)	13,318.96	-	-	-	-	-	-
Change in non-controlling interests and other	-	50.82	-	(50.82)	-	-	(0.01)	(0.01)
Balance at December 31, 2013	5,664.41	21,000.68	72.63	(67.19)	(0.02)	26,670.51	(28.83)	26,641.68

Note: For details on equity components, see Note 13.

The notes on pages 10 to 71 form part of these consolidated financial statements.

S.C. OMV PETROM S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014
(all amounts are expressed in million RON, unless otherwise specified)

	Notes	December 31, 2014	December 31, 2013
Cash flow from operating activities			
Profit before taxation		2,909.18	5,698.60
Adjustments for:			
Interest expenses and other financial expenses	23, 24	355.78	138.10
Interest income	23	(23.80)	(82.32)
Net movement in provisions and allowances for:			
- Financial assets		0.78	-
- Inventories		(24.56)	(59.24)
- Receivables		23.69	30.95
- Pensions and similar liabilities		(27.69)	66.29
- Decommissioning and restoration obligations		(22.50)	56.54
- Other provisions for risk and charges		306.75	(154.85)
Discounting / Write-off of receivables and other similar items		23.29	0.56
Income from associated companies	22	(10.67)	(3.27)
Gain on transfer of business	31	(52.59)	-
Loss on disposal of Group companies	31	2.40	0.93
(Gain)/Loss on disposal of non-current assets	19, 20	30.04	(1.50)
Depreciation, amortization and impairment expense, net	6, 7, 21	4,806.30	3,354.72
Other non-cash items		(159.36)	48.25
Interest received		23.80	38.36
Interest paid		(84.77)	(102.54)
Tax on profit paid		(926.57)	(904.74)
Cash generated from operating activities before working capital movements		7,149.50	8,124.84
(Increase)/Decrease in inventories		(314.56)	145.53
(Increase)/Decrease in receivables and other assets		(152.02)	339.72
Increase/(Decrease) in liabilities		146.92	(562.10)
Net cash generated from operating activities		6,829.84	8,047.99
Cash flow from investing activities			
Investments			
Intangible assets and property, plant and equipment		(5,909.53)	(4,995.37)
Investments and other financial assets	31	(45.28)	(0.10)
Disposals			
Proceeds from sale of non-current assets		63.85	47.14
Proceeds from transfer of business	31	173.36	-
Proceeds from sale of Group companies, net of cash disposed	31	59.51	53.74
Net cash used for investing activities		(5,658.09)	(4,894.59)
Cash flow from financing activities			
Net drawings/(repayment) of loans	31	397.49	(837.34)
Dividends paid		(1,731.04)	(1,574.31)
Net cash used for financing activities		(1,333.55)	(2,411.65)
Effect of foreign exchange rate changes on cash and cash equivalents		21.54	(0.16)
Net increase/(decrease) in cash and cash equivalents		(140.26)	741.59
Cash and cash equivalents at the beginning of the year		1,408.24	666.65
Cash and cash equivalents at the end of the year		1,267.98	1,408.24

The notes on pages 10 to 71 form part of these consolidated financial statements.

S.C. OMV PETROM S.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(all amounts are expressed in million RON, unless otherwise specified)

1. LEGAL PRINCIPLES AND BASIS OF PREPARATION

OMV Petrom S.A. (22 Coralilor Street, 013329 Bucharest, Romania), has activities in Exploration and Production (E&P), Gas and Power (G&P), Refining and Marketing (R&M) segments and it is listed on Bucharest Stock Exchange under "SNP" code.

Shareholders' structure as at December 31, 2014 was as follows:

	<u>Percent</u>
OMV Aktiengesellschaft	51.01%
Romanian State	20.64%
Property Fund S.A.	18.99%
Legal entities and private individuals	<u>9.36%</u>
Total	<u>100.00%</u>

There were no changes in shareholders' structure compared to **December 31, 2013**.

Statement of compliance

These consolidated financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU).

Romanian listed Companies such as OMV Petrom S.A. are required by Ministry of Finance Order no. 1121/2006 to submit the consolidated financial statements prepared in accordance with IFRS as endorsed by EU starting 2007.

The financial year corresponds to the calendar year.

Basis of preparation

Consolidated financial statements of OMV Petrom Group, hereinafter referred to also as "the Group", are presented in RON ("Romanian Leu"), using going concern principles. All values are presented in millions, rounded to the nearest 2 decimals. The consolidated financial statements have been prepared on the historical cost basis, except for derivative financial instruments that have been measured at fair value. For financial assets and liabilities where fair value differs from carrying amounts at the reporting date, fair values have been disclosed in Note 32.

2. JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported for assets, liabilities, income and expenses, the accompanying disclosures and the disclosure of contingent liabilities. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. However, uncertainty about these assumptions and estimates could result in actual outcomes that may differ from these estimates and may require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

Other disclosures relating to the Group's exposure to risks and uncertainties in relation to capital management and financial risk management and policies are included in Note 35.

Changes in estimates are accounted for prospectively.

S.C. OMV PETROM S.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(all amounts are expressed in million RON, unless otherwise specified)

2. JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions

The key assumptions concerning the future and other key sources of uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market change or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

a) Oil and gas reserves

Mineral reserves (oil and gas reserves) are estimated by OMV Petrom Group's own engineers. The estimates are audited externally every two years. Commercial reserves are determined using estimates of hydrocarbons in place, recovery factors and future oil and gas prices.

The oil and gas assets are depreciated on a unit of production basis at a rate calculated by reference to either total proved or proved developed reserves (please refer to Depreciation, amortization and depletion accounting policy below), determined as presented above. The carrying amount of oil and gas assets at December 31, 2014 is shown in Note 6 and 7.

The level of estimated commercial reserves is also a key determinant in assessing whether the carrying value of any of the Group's development and production assets should be impaired.

b) Decommissioning costs

The Group's core activities regularly lead to obligations related to dismantling and removal, asset retirement and soil remediation activities. These decommissioning and restoration obligations are principally of material importance in the E&P segment (oil and gas wells, surface facilities). At the time the obligation arises, it is provided for in full by recognizing the present value of future decommissioning and restoration expenses as a liability. An equivalent amount is capitalized as part of the carrying amount of long-lived assets.

Decommissioning costs will be incurred by the Group at the end of the operating life of some of the facilities and properties.

Estimates of future restoration costs are based on current contracts concluded with suppliers, reports issued by OMV Petrom Group engineers as well as past experience. Provisions for restoration costs require estimates of discount rates and inflation rates. These estimates have a material effect on the amount of the provisions (see Note 14).

The ultimate decommissioning and restoration costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditure can also change, for example, in response to changes in reserves or changes in laws and regulations or their interpretation. As a result, there could be significant adjustments to the provisions established which would affect future results.

c) Impairment of non-financial assets

The Group assesses each asset or cash generating unit (CGU) for each reporting period to determine whether any indication of impairment exists. When an indicator exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. For all impairment tests performed, the recoverable amount was based on value in use. The assessments require the use of different estimates and assumptions depending on the business such as crude oil prices, discount rates, reserves, growth rates, gross margins and spark spreads.

S.C. OMV PETROM S.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(all amounts are expressed in million RON, unless otherwise specified)

2. JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

E&P impairment test

Considering the significant decline in oil prices towards the end of 2014, the Group considered indications of impairment are present. As a result, an impairment test was performed for the E&P CGUs of the Group.

The nominal oil price assumptions and the RON/USD exchange rate used in the impairment review are listed below:

	2015	2016	2017	2018 and thereafter
Brent oil price (USD/bbl)	55	75	90	105
RON/USD exchange rate	3.91	3.91	3.46	3.53
Brent oil price (RON/bbl)	215	293	312	371

E&P OMV Petrom S.A.

Following the impairment test performed, no impairment was identified for any of the E&P CGUs of OMV Petrom S.A.

E&P Tasbulat

During 2014, E&P Tasbulat field redevelopment in Kazakhstan was completed. As the production results were not in line with the expectations and also in the context of revised crude price, there was a downward revision in the production profile of the field, which led to an impairment charge of RON 601.14 million. The recoverable amount was based on value in use and amounted to RON 80.68 million. The pre-tax discount rate used was 7.32%.

Changes in economic conditions may further affect the assumptions used in determining value in use, so that actual results may eventually be different. A 10% reduction in production volumes, or a Brent oil price lower by USD 10/bbl, would lead to the full impairment of Tasbulat assets.

For all producing assets and assets currently under development in the E&P segment of the Group, a long-term Brent oil price assumption of USD 75/bbl would lead to an impairment of RON 1,697.26 million, without taking into account cost and investments reduction measures and any other changes in the broader environment.

G&P impairment test

Taking into account the challenging power market conditions, both Brazi gas-fired power plant and Dorobantu wind power park were tested for impairment as of December 31, 2014.

Following the impairment tests performed, G&P segment recognized impairment losses of RON 715.81 million related to Brazi gas-fired power plant and Dorobantu wind park CGUs in Romania. The key valuation assumptions used in determining value in use were as follows:

- for **Brazi gas-fired power plant:** the spark spreads (being the differences between the electricity prices and the gas and CO₂ certificates prices), the power quantity produced and balancing revenues. The assumptions used for the first three years are based on medium term plans, while the medium and long-term assumptions are consistent with data provided by external studies. The pre-tax discount rate used was 6.58% (2013: 6.16%). Recoverable amount was estimated at RON 1,677.20 million, triggering an impairment loss of RON 591.87 million for tangible assets and RON 45.82 million for intangible assets as of December 31, 2014;

S.C. OMV PETROM S.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(all amounts are expressed in million RON, unless otherwise specified)

2. JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

- for **Dorobantu wind park**: expected power production, electricity prices and green certificates prices and eligibility. The pre-tax discount rate used was 6.68%. Recoverable amount was estimated at RON 191.12 million, triggering an impairment loss of RON 67.65 million for tangible assets and RON 10.47 million for intangible assets as of December 31, 2014.

Changes in economic conditions may further affect the assumptions used in determining value in use, so that actual results may eventually be different. The sensitivity analysis of value in use to changes in key assumptions shows the following additional impacts:

Brazi power plant

	RON million
5% decrease in clean spark spread	(234.41)
Plus 0.5% to discount rate	(103.54)
5% decrease in power quantity produced	(138.05)
50% decrease in quantity for balancing revenues	(112.05)

Dorobantu wind park

	RON million
Plus 2% to discount rate	(22.41)
Green certificates are no longer received for production starting 2015 and onwards	(99.62)
35% decrease in electricity prices	(84.77)

R&M Impairment test

The R&M segment recognized impairment losses mainly referring to retail assets in the Republic of Serbia in amount of RON 62.81 million (corresponding to a recoverable amount of RON 232.17 million), using a pre-tax discount rate of 10.83%. Main assumptions refer to volumes and selling prices for fuels.

Changes in economic conditions may further affect the assumptions used in determining value in use, so that actual results may eventually be different. The sensitivity analysis of value in use to changes in key assumptions shows the following additional impacts:

Retail assets in Serbia

	RON million
10% decrease in volumes	(83.64)
10% decrease in margins	(67.79)
10% increase in costs	(46.51)

d) Exploration and evaluation expenditure

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is probable that future economic benefits are likely either from future operation or sale or whether activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of reserves and resources is itself an estimation process that involves varying degrees of uncertainty depending on sub-classification and these estimates directly impact the point of deferral of exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the relevant capitalized amount is written off in profit or loss in the period when the new information becomes available.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(all amounts are expressed in million RON, unless otherwise specified)

2. JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgments

In the process of applying the Group's accounting policies, the following judgments were made, particularly with respect to the following:

a) Cash generating units

Management exercises judgment in determining the appropriate level of grouping E&P assets into CGUs, in particular with respect to the E&P assets which share significant common infrastructure and are consequently grouped into the same CGU.

b) Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

3. CONSOLIDATION

a) Subsidiaries

The consolidated financial statements comprise the financial statements of OMV Petrom S.A. ("OMV Petrom") and its subsidiaries ("OMV Petrom Group") as at December 31, 2014, prepared in accordance with consistent accounting and valuation principles. The financial statements of the subsidiaries are prepared for the same reporting date, December 31, 2014, as the parent company.

Control exists when OMV Petrom is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when OMV Petrom has less than a majority of the voting or similar rights of an investee, OMV Petrom considers all relevant facts and circumstances in assessing whether it has power over an investee, including: the contractual arrangement with the other vote holders of the investee; rights arising from other contractual arrangements as well as voting rights and potential voting rights. OMV Petrom re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

Consolidation of a subsidiary begins when OMV Petrom obtains control over the subsidiary and ceases when OMV Petrom loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date OMV Petrom gains control until the date OMV Petrom ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of OMV Petrom Group. All intra-group assets and liabilities, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

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3. CONSOLIDATION (continued)

The number of consolidated entities is as follows:

	Full consolidation	Equity consolidation
As at January 1, 2014	14	1
Included for the first time*	-	1
Deconsolidated during the year**	-	(1)
As at December 31, 2014	14	1
Romanian companies	6	1
Foreign companies	8	-

*¹) In 2014 associated company OMV Petrom Global Solutions S.R.L. was consolidated in the Group by equity method of accounting.

**²) In 2014 OMV Petrom sold its interest in Congaz S.A., associated company accounted for at equity method.

There were no changes in ownership interests in fully consolidated subsidiaries compared to prior year.

Please refer to Note 30 for further details on group structure.

The Company holds majority of the voting rights in all fully consolidated subsidiaries.

Non-controlling interests are not significant as of December 31, 2014 and December 31, 2013.

b) Associates

An associate is an entity over which the Group is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee, but has not control or joint control over these policies. This is normally presumed to exist when OMV Petrom has 20% or more of the voting power of the entity. The results, assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not tested for impairment individually. After application of the equity method, the Group determines whether it is necessary to recognize any impairment loss with respect to Group's investment in the associate.

The income statement reflects the share of the results of operations of the associate. Any change in other comprehensive income (OCI) of the associate is presented as part of the Group's OCI. In addition, where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of the changes and discloses it in the statement of changes in equity. The Group recognizes the dividend from an associate when the right to receive a dividend is established, and presents separately (Note 22) the share of the results of operations of the associate corresponding to dividends received.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit and loss outside operating profit (earnings before interest and taxes) and represents profit or loss after tax and non-controlling interest in the subsidiaries of the associate.

The financial statements of the associates are prepared for the same reporting period as the Group.

When the Group has transactions with an associate of the Group, unrealized profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

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3. CONSOLIDATION (continued)

c) Interests in joint arrangements

IFRS defines joint control as the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (i.e. activities that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing the control.

(i) Joint operations

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement.

In relation to its interests in joint operations, the Group recognises its:

- assets, including its share of any assets held jointly
- liabilities, including its share of any liabilities incurred jointly
- revenue from the sale of its share of the output arising from the joint operation
- share of the revenue from the sale of the output by the joint operation
- expenses, including its share of any expenses incurred jointly.

The Group has interests in joint operations, therefore it recognizes its share of any assets held jointly and liabilities incurred jointly, revenue from the sale of the output by the joint operation, together with its share of the expenses incurred jointly. The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation, line by line, in its consolidated financial statements.

The material joint arrangements where OMV Petrom is partner, as well as commitments in relation to the joint arrangements, are presented in Note 34.

(ii) Joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. The Group's investment in its joint venture is accounted for using the equity method.

Under the equity method, the investment in the joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not individually tested for impairment.

The income statement reflects the Group's share of the results of operations of the joint venture. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss of the joint venture is shown on the face of the statement of profit or loss and other comprehensive income as part of operating profit and represents profit or loss after tax.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognises the loss as 'Share of profit of a joint venture' in the statement of profit or loss and other comprehensive income.

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3. CONSOLIDATION (continued)

On loss of joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in the statement of profit or loss and other comprehensive income.

Classifying the joint arrangement as joint venture or joint operation requires the Group to assess their rights and obligations arising from the arrangement. Specifically, the Group considers:

- the structure of the joint arrangement – whether it is structured through a separate vehicle;
- when the arrangement is structured through a separate vehicle, the Group also considers the rights and obligations arising from:
 - the legal form of the separate vehicle;
 - the terms of the contractual arrangement;
 - other facts and circumstances, considered on a case by case basis.

4. ACCOUNTING AND VALUATION PRINCIPLES

4.1. First time adoption of new or revised standards

The accounting policies adopted are consistent with those of the previous financial year except for the following new interpretations and amendments to the existing standards and interpretations issued by the International Accounting Standards Board and endorsed by EU with a date of initial application of January 1, 2014, but had no significant effects on the financial statements:

- **IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements.** IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation — Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27.
- **IFRS 11 Joint Arrangements.** IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.
- **IFRS 12 Disclosures of Interests in Other Entities.** IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard has no impact on the Group's financial position or performance, but led to additional disclosures (i.e. Note 2, Note 8 and Note 34).
- **IAS 32 Financial Instruments: Presentation (Amended) - Offsetting Financial Assets and Financial Liabilities.** These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous.
- **IAS 39 Financial Instruments (Amended): Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting.** Under the amendment there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met. The IASB made a narrow-scope amendment to IAS 39 to permit the continuation of hedge accounting in certain circumstances in which the counterparty to a hedging instrument changes in order to achieve clearing for that instrument.

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4. ACCOUNTING AND VALUATION PRINCIPLES (continued)

- **IAS 36 Impairment of Assets (Amended) – Recoverable Amount Disclosures for Non-Financial Assets.** These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period.
- **IFRIC 21 Levies.** The Interpretations Committee was asked to consider how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements. This Interpretation is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy
- **IAS 28 Investments in Associates and Joint Ventures (Revised).** As a consequence of the new IFRS 11 Joint arrangements and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates.

4.2. New or revised standards and interpretations not yet mandatory

At the date of authorization of these financial statements the following standards, revisions and interpretations were issued by IASB, but are not yet effective and were not early adopted by the Group:

- **IAS 16 Property, Plant & Equipment and IAS 38 Intangible assets (Amendment): Clarification of Acceptable Methods of Depreciation and Amortization**
The amendment is effective for annual periods beginning on or after 1 January 2016. This amendment clarifies the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendment has not yet been endorsed by the EU.
- **IAS 19 Employee benefits (Amended): Employee Contributions**
The amendment is effective for annual periods beginning on or after 1 February 2015. The amendment applies to contributions from employees or third parties to defined benefit plans. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.
- **IFRS 9 Financial Instruments – Classification and measurement**
The standard is applied for annual periods beginning on or after 1 January 2018 with early adoption permitted. The final phase of IFRS 9 reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The standard has not yet been endorsed by the EU.
- **IFRS 11 Joint arrangements (Amendment): Accounting for Acquisitions of Interests in Joint Operations**
The amendment is effective for annual periods beginning on or after 1 January 2016. IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business in accordance with IFRS and specifies the appropriate accounting treatment for such acquisitions. The amendment has not yet been endorsed by the EU.

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4. ACCOUNTING AND VALUATION PRINCIPLES (continued)

- **IFRS 14 Regulatory Deferral Accounts**

The standard is effective for annual periods beginning on or after 1 January 2016. The aim of this interim standard is to enhance the comparability of financial reporting by entities that are engaged in rate-regulated activities, whereby governments regulate the supply and pricing of particular types of activity. This can include utilities such as gas, electricity and water. Rate regulation can have a significant impact on the timing and amount of an entity's revenue. The IASB has a project to consider the broad issues of rate regulation and plans to publish a Discussion Paper on this subject. Pending the outcome of this comprehensive Rate-regulated Activities project, the IASB decided to develop IFRS 14 as an interim measure. IFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard. This standard has not yet been endorsed by the EU.

- **IFRS 15 Revenue from Contracts with Customers**

The standard is effective for annual periods beginning on or after 1 January 2017. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. The standard has not been yet endorsed by the EU.

- **IAS 27 Separate Financial Statements (amended)**

The amendment is effective from 1 January 2016. This amendment will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements and will help some jurisdictions move to IFRS for separate financial statements, reducing compliance costs without reducing the information available to investors. This amendment has not yet been endorsed by the EU.

- **IAS 16 Property, Plant & Equipment and IAS 41 Agriculture (amended)**

The amendment is effective for annual periods beginning on or after 1 January 2016. Bearer plants will now be within the scope of IAS 16 Property, Plant and Equipment and will be subject to all of the requirements therein. This includes the ability to choose between the cost model and revaluation model for subsequent measurement. Agricultural produce growing on bearer plants (e.g., fruit growing on a tree) will remain within the scope of IAS 41 Agriculture. Government grants relating to bearer plants will now be accounted for in accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, instead of in accordance with IAS 41. The amendment has not yet been endorsed by the EU.

- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments will be effective from annual periods commencing on or after 1 January 2016. The amendments have not yet been endorsed by the EU.

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4. ACCOUNTING AND VALUATION PRINCIPLES (continued)

- The **IASB has issued the Annual Improvements to IFRSs 2010 – 2012 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 February 2015.
- The **IASB has issued the Annual Improvements to IFRSs 2011 – 2013 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2015.
- The **IASB has issued the Annual Improvements to IFRSs 2012 – 2014 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2016. These annual improvements have not yet been endorsed by the EU.
- **IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (Amendments)**
The amendments address three issues arising in practice in the application of the investment entities consolidation exception. The amendments are effective for annual periods beginning on or after 1 January 2016. The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Also, the amendments clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. Finally, the amendments to *IAS 28 Investments in Associates and Joint Ventures* allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments have not yet been endorsed by the EU.
- **IAS 1: Disclosure Initiative (Amendment)**
The amendments to IAS 1 Presentation of Financial Statements further encourage companies to apply professional judgment in determining what information to disclose and how to structure it in their financial statements. The amendments are effective for annual periods beginning on or after 1 January 2016. The narrow-focus amendments to IAS clarify, rather than significantly change, existing IAS 1 requirements. The amendments relate to materiality, order of the notes, subtotals and disaggregation, accounting policies and presentation of items of other comprehensive income (OCI) arising from equity accounted Investments. These amendments have not yet been endorsed by the EU.

Potential effects in the respective years of initial application are currently being evaluated by management.

4.3. Summary of accounting and valuation principles

a) Business combinations

Business combinations are accounted for using the acquisition method. Assets and liabilities of subsidiaries acquired are included at their fair values at the time of the acquisition.

For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

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4. ACCOUNTING AND VALUATION PRINCIPLES (continued)

Goodwill is recognized as an asset and reviewed for impairment at least annually. All impairments are immediately charged against income, and there are no subsequent reversals of goodwill impairment.

Non-controlling interests entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Non-controlling interests are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from parent's shareholders' equity. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

b) Pre-licence costs

Pre-licence costs are expensed in the period in which they are incurred. Pre-licence prospecting is performed in the very preliminary stage of evaluation when trying to identify areas that may potentially contain oil and gas reserves without having physical access to the area. Related costs may include seismic studies, magnetic measurements, satellite and aerial photographs, gravity-meter tests etc.

c) Licence acquisition costs

Exploration licence acquisition costs are capitalized in intangible assets. Licence costs paid in connection with a right to explore in an existing exploration area are capitalized and amortized over the term of the permit.

Licence acquisition costs are reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds the recoverable amount. This review includes confirming that exploration drilling is still under way or firmly planned, or that it has been determined, or work is under way to determine that the discovery is economically viable based on a range of technical and commercial considerations and sufficient progress is being made on establishing development plans and timing.

If no future activity is planned or the licence has been relinquished or has expired, the carrying value of the licence acquisition costs is written off through profit or loss. Upon recognition of proved reserves and internal approval for development, the relevant expenditure is transferred to oil and gas assets.

d) Exploration and appraisal costs

Exploration and appraisal costs are accounted for using the successful efforts method of accounting. Costs related to geological and geophysical activity are expensed as and when incurred. The costs associated to exploration and appraisal drilling are initially capitalized as oil and gas assets with unproved reserves pending determination of the commercial viability of the relevant properties. If prospects are subsequently deemed to be unsuccessful on completion of evaluation, the associated costs are included in the profit and loss account for the year. If the prospects are deemed commercially viable, such costs are transferred to tangible oil and gas assets upon recognition of proved reserves and internal approval for development. The status of such prospects and related costs are reviewed regularly by technical, commercial and executive management including review for impairment at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off.

e) Development and production costs

Development costs including costs incurred to gain access to proved reserves and to prepare development wells locations for drilling, to drill and equip development wells and to construct and install production facilities, are capitalized as oil and gas assets.

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

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4. ACCOUNTING AND VALUATION PRINCIPLES (continued)

f) Intangible assets and property, plant and equipment

Intangible assets acquired by the Group are stated at cost less accumulated amortization and impairment losses.

Property, plant and equipment are recognized at cost of acquisition or construction and are presented net of accumulated depreciation and impairment losses.

The cost of purchased tangible assets is the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to their present location and condition necessary for their intended use. The cost of self-constructed assets includes cost of direct materials, labour, overheads and other directly attributable costs that have been incurred in bringing the assets to their present location and condition.

Depreciation and amortization is calculated on a straight-line basis, except for E&P assets, where depletion occurs to a large extent on a unit-of-production basis. In the consolidated income statement, depreciation and amortization as well as impairment losses for filling stations are disclosed as part of selling expenses, those for exploration assets as exploration expenses, and those for other assets are reported as cost of sales or as other operating expenses.

Intangible assets	Useful life (years)
Goodwill	Indefinite
Software	3 - 5
Concessions, licences and other intangibles	5 - 20, or contract duration
Business-specific property, plant and equipment	
E&P Oil and gas core assets	Unit of production method
G&P Gas pipelines	20 - 30
G&P Gas power plant	8 - 30
G&P Wind power stations	10 - 20
R&M Storage tanks and refinery facilities	25 - 40
R&M Pipeline systems	20
R&M Filling stations components	5 - 20
Other property, plant and equipment	
Production and office buildings	20 - 50
Other plant and equipment	10 - 20
Fixtures and fittings	5 - 10

For the application of the unit of production depreciation method the Group has separated the areas where it operates in seventeen regions (thirteen regions for the parent and four regions for its Kazakhstan subsidiaries). The unit of production factor is computed at the level of each region, based on the extracted quantities and the proved reserves or developed reserves as applicable.

Capitalized exploration and appraisal activities are generally not depreciated as long as they are related to unproved reserves, but tested for impairment. Once the reserves are proved and commercial viability is established, the related assets are reclassified into tangible assets and once production starts depreciation commences. Capitalized development costs and support equipment are generally depreciated based on proved developed reserves/ total proved reserves by applying the unit-of-production method once production starts; capitalized exploration rights and acquired reserves are amortized on the basis of total proved reserves.

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4. ACCOUNTING AND VALUATION PRINCIPLES (continued)

An item of property, plant and equipment and any significant part initially recognized are derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized.

Under the successful efforts method individual mineral interests and other assets are combined to cost centers (fields, blocks, areas), which are the basis for depreciation and impairment testing. If single wells or other assets from a pooled depreciation base with proved reserves are abandoned, the accumulated depreciation for the single asset might be not directly identifiable. In general, irrespective if book values of abandoned assets are identifiable, no loss is recognized from the partial relinquishment of assets from a pooled depreciation base as long as the remainder of the group of properties continues to produce oil or gas. It is assumed that the abandoned or retired asset is fully amortized. The capitalized costs for the asset are charged to the accumulated depreciation base of the cost center.

Where an asset or part of an asset, that was separately depreciated and is now written off, is replaced and it is probable that future economic benefits associated with the item will flow to the Group, the expenditure is capitalized. Where part of the asset replaced was not separately considered as a component and therefore not depreciated separately, the replacement value is used to estimate the carrying amount of the replaced asset(s) which is immediately written off.

Assets classified as held for sale are disclosed at the lower of carrying value and fair value net of any disposal costs. Non-current assets and groups of assets are classified as held for sale if their carrying value will be recovered principally through a sale transaction rather than through continuing use. This classification requires that the sale must be estimated as highly probable, and that the asset must be available for immediate disposal in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale.

Impairment of intangible assets and property, plant and equipment

In accordance with IAS 36, intangible assets as well as property, plant and equipment are reviewed at each reporting date for any indications of impairment. For intangible assets with undetermined useful lives, impairment tests are carried out annually. This applies even if there are no indications of impairment.

If any indication exists, or when annual impairment test for an asset is required, the Group estimates the asset's recoverable amount, being the higher of fair value less costs of disposal and its value in use.

If the carrying amount of an asset or cash generating unit exceeds its recoverable amount, the asset is considered impaired and an impairment loss is recognized to reduce the asset to its lower recoverable amount. Impairment losses are recognized in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

A previously recognized impairment loss is reversed up to the asset depreciated cost if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is recognized under other operating income.

g) Major maintenance and repairs

The capitalized costs of regular and major inspections and overhauls are separate components of the related asset or asset groups. The capitalized inspection and overhaul costs are amortized on a straight line basis, or on basis of the number of service hours or produced quantities or similar, if this better reflects the time period for the inspection interval (until the next inspection date).

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4. ACCOUNTING AND VALUATION PRINCIPLES (continued)

Expenditure on major maintenance refits, inspections or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Inspection costs associated with major maintenance programs are capitalized and amortized over the period to the next inspection.

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

All other day-to-day repairs and maintenance costs are expensed as incurred.

h) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and whether the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in the arrangement.

A finance lease is defined as a lease which transfers substantially all the risks and rewards incidental to the ownership of the related asset to the lessee. All leases which do not meet the definition of a finance lease are classified as operating leases.

Non-current assets held under finance lease arrangements are capitalized at the commencement of the lease at the lower of the present value of minimum lease payments and fair value of leased property, and then depreciated over their expected useful life or the duration of the lease, if shorter. A liability equivalent to the capitalized amount is recognized, and future lease payments are split into the finance charge and the capital repayment element.

In the case of operating leases, lease payments are recognized on a straight-line basis over the lease term.

i) Financial instruments

Non-derivative financial assets

At initial recognition, the Group classifies its financial assets into the following three categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial asset. All regular way trades are recognized and derecognized on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Securities are classified as at fair value through profit or loss when they are either held for trading or if they are designated as at fair value through profit or loss. Financial assets at fair value through profit or loss are measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are measured at amortized cost (using the effective interest rate method (EIR)) less any impairment. The EIR amortization is included in finance income in the statement of profit or loss. The losses arising from impairment are recognized in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables. Whether loans and receivables are impaired is assessed individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the statement of profit or loss.

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4. ACCOUNTING AND VALUATION PRINCIPLES (continued)

After initial measurement, available-for-sale financial assets are recognized at fair value. Unrealized gains and losses are disclosed separately in other comprehensive income net of any attributable tax effects. If there is objective evidence of impairment, write-downs including amounts previously recognized in other comprehensive income, are recognized in profit and loss. If the reason for the recognition of an impairment loss subsequently ceases to exist, the amount of the reversal up to amortized costs is included either as income in the case of debt instruments, or is taken to equity in the case of equity instruments.

Investments in non-consolidated subsidiaries and other companies, whose fair value cannot be reliably estimated, are measured at acquisition cost less any impairment losses.

At each reporting date, the carrying amounts of financial assets not classified as at fair value through profit or loss are reviewed for objective evidence of impairment. Evidence of impairment may include for example indications that the debtor or issuer is experiencing significant financial difficulty, default or delinquency in payments, the probability that the debtor or issuer will enter bankruptcy or a considerable detrimental change in the debtor's or issuer's technological, economical, legal environment and/or market environment. In the case of equity instruments classified as available for sale, objective evidence would include significant or prolonged decrease in fair value below cost. Any impairment is recognized in profit or loss.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability that reflects the rights and obligations that the Group has retained. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Loans and receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group.

Non-derivative financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities through profit or loss, loans and borrowings or payables and are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

After initial measurement, liabilities are carried at amortized cost, with the exception of derivative financial instruments, which are recognized at fair value. Long-term liabilities are discounted using the effective interest rate method (EIR). Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

A financial liability is derecognized when the obligation under the liability is discharge or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amount is recognized in the statement of profit or loss.

Derivative financial instruments

Derivative instruments are used to hedge risks resulting from changes in interest rates, currency exchange rates and commodity prices. Derivative instruments are recognized at fair value, which reflects the estimated amounts that the Group would pay or receive if the positions were closed at statement of financial position date. Quotations from banks or appropriate pricing models have been used to estimate the fair value of financial instruments at statement of financial position date.

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4. ACCOUNTING AND VALUATION PRINCIPLES (continued)

Price calculation in these models is based on forward prices of the underlying, foreign exchange rates as well as volatility indicators as of statement of financial position date. Unrealized gains and losses are recognized as income or expense, except where hedge accounting is applied.

Those derivatives qualifying and designated as hedges are either (i) a fair value hedge when hedging exposure to changes in the fair value of a recognized asset or liability or (ii) a cash flow hedge when hedging exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction.

In the case of fair value hedges, changes in the fair value resulting from the risk being hedged for both the underlying and the hedging instrument are recognized as income or expense.

For cash flow hedges, the effective part of the changes in fair value is recognized in other comprehensive income, while the ineffective part is recognized immediately in the income statement. Where the hedging of cash flows results in an asset or liability, the amounts that have previously been recognized in other comprehensive income are reclassified into profit and loss in the period in which the hedged position affects earnings.

Contracts to buy or sell a non-financial item that can be settled net in cash or another financial instrument, or by exchanging financial instruments, as if the contracts were financial instruments, are accounted for as financial instruments. However, contracts that are entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirements are not accounted for as derivative financial instruments, but rather as executory contracts. However, even though such contracts are not financial instruments, they may contain embedded derivatives. Embedded derivatives are accounted for separately from the host contract when the economic characteristics and risks of the embedded derivatives are not closely related to the economic characteristics and risks of the host contract.

j) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized until the assets are substantially ready for their intended use or for sale. Borrowing costs include interest on bank short-term and long-term loans, amortization of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. All other costs of borrowing are expensed in the period in which they are incurred.

k) Government grants

Government grants – except for emission rights (see Note 4m) – are recognized as income or deducted from the related asset where it is reasonable to expect that the granting conditions will be met and that the grants will be received.

l) Inventories

Inventories are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the normal course of activity less any selling expenses.

Cost of producing crude oil and gas and refining petroleum products is accounted on weighted average basis, and includes all costs incurred in the normal course of business in bringing each product to its present location and condition, including the appropriate proportion of depreciation, depletion and amortization and overheads based on normal capacity.

Appropriate allowances are made for any obsolete or slow moving stocks based on the management's assessments.

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4. ACCOUNTING AND VALUATION PRINCIPLES (continued)

m) Provisions

Provisions are made for all present obligations (legal or constructive) to third parties resulting from a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably. Provision for individual obligations is based on the best estimate of the amount necessary to settle the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is applicable, the increase in the provision due to the passage of time is recognized as a finance cost.

The Group's core activities regularly lead to obligations related to dismantling and removal, asset retirement and soil remediation obligations, more specifically consisting in:

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

These decommissioning and restoration obligations are mainly of material importance in the E&P segment (oil and gas wells, above-ground facilities). At the time the obligation arises, it is provided for in full by recognizing as a liability the present value of future decommissioning and restoration expenses. An equivalent amount is capitalized as part of the carrying value of related property, plant and equipment. The obligation is calculated on the basis of best estimates. The capitalized asset is depreciated using the unit-of-production method for upstream activities and on straight-line basis for downstream assets.

Liabilities for environmental costs are recognized when a clean-up is probable and the associated costs can be reliably estimated. Generally, the timing of recognition of these provisions coincides with the commitment to a formal plan of action. The amount recognized is the best estimate of the expenditure required. Where the liability will not be settled for a number of years, the amount recognized is the present value of the estimated future expenditure.

Based on the privatization agreement of OMV Petrom S.A., part of OMV Petrom's decommissioning and environmental cost will be reimbursed by the Romanian State. The portion to be reimbursed by the Romanian State has been presented as receivable and reassessed in order to reflect the current best estimate of the cost at its present value, using the same discount rate as for the related provisions.

Changes in the assumptions related to decommissioning costs are dealt with prospectively, by recording an adjustment to the provision and a corresponding adjustment to property, plant and equipment (for Group obligation) or to the related receivable from the Romanian State (for the works to be reimbursed by Romanian State).

The unwinding of the decommissioning provision is presented as part of the interest expenses in the Income Statement, net of the unwinding of the related receivable from the Romanian State (for the works to be reimbursed by Romanian State).

Changes in the assumptions related to environmental costs are dealt with prospectively, by recording an adjustment to the provision and a corresponding adjustment in the Income Statement (for Group obligation) or to the related receivable from the Romanian State (for the works to be reimbursed by Romanian State).

The unwinding of the environmental provision is presented as part of the interest expenses in the Income Statement, net of the unwinding of the related receivable from the Romanian State (for the works to be reimbursed by Romanian State).

The effect of changes in discount rate and timing assumptions for the receivables from the Romanian State which are additional to the changes in discount rates and timing assumptions for decommissioning costs and environmental costs, is presented in the Income Statement under interest expenses or interest income.

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4. ACCOUNTING AND VALUATION PRINCIPLES (continued)

Provisions for pensions and severance payments are calculated using the projected-unit-credit method, which divides the costs of the estimated benefit entitlements over the whole period of employment and thus takes future increases in remuneration into account. Actuarial gains/losses are recognized in full in the period in which they occur as follows: for pensions in other comprehensive income and for similar obligations in profit or loss.

Provisions for voluntary and involuntary separations under restructuring programs are recognized if a detailed plan has been approved by management prior to balance sheet date, and an irrevocable commitment is thereby established. Voluntary amendments to employees' remuneration arrangements are recognized if the respective employees have accepted the company's offer. Provisions for obligations under individual separation agreements are recognized at the present value of the obligation where the amounts and dates of payment are fixed and determined.

Emission allowances received free of cost from governmental authorities (EU Emissions Trading Scheme for greenhouse gas emissions allowances) reduce obligations for CO₂ emissions and are recognized based on net approach for Government Grant (i.e. zero value in accounting). Provisions are recognized only for shortfalls. The provision for a shortfall is initially measured at the best estimation of expenditure required to settle the obligation, which is the market price of the emission rights at the closing date. The related expense is recognized as emission costs, included in cost of sales. If, subsequently to the recognition of a provision, emission rights are purchased then an asset is only recognized for the excess of the emission rights over the CO₂ emissions. Any price difference between the provision and the quantity of offsetting emission rights is expensed as emission cost.

n) Taxes on income and royalties

Current tax

Current income tax is the expected tax payable or receivable on the taxable net result for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is recognised in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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4. ACCOUNTING AND VALUATION PRINCIPLES (continued)

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities at Group level are shown net, if there is a legally enforceable right to offset and the deferred taxes relate to matters subject to the same tax jurisdiction.

Production taxes

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

o) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other incentives.

Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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4. ACCOUNTING AND VALUATION PRINCIPLES (continued)

Dividend and interest revenue

Dividend revenue from investments is recognized when the shareholder's right to receive payment has been established.

Interest revenue is accrued using the effective interest rate, which is the rate that discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

p) Cash and cash equivalents

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

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5. FOREIGN CURRENCY TRANSLATION

a) Group companies

The consolidated financial statements are presented in RON, which is OMV Petrom S.A. functional currency and the Group's presentation currency. Each entity in OMV Petrom Group determines its own functional currency, and items included in its individual financial statements are measured using the functional currency. The functional currency of the foreign operations is generally their local currency (which for the majority of the Group's operations is the RON), except for Kazakhstan entities that have USD as functional currency.

Where the functional currency differs from the Group's presentation currency, individual financial statements are translated using closing rate method. Differences arising between statement of financial position items translated at closing and historical rates are presented as a separate item directly in equity and in other comprehensive income. The use of average rates for translation of income statement creates additional differences compared to the application of the closing rates in the statement of financial position which are also recorded in equity and in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income and equity relating to the translation of that particular foreign operation is recognized in the income statement.

The rates applied in translating foreign currencies to RON were as follows:

Exchange rates	Year ended December 31, 2014*	Average for the year ended December 31, 2014	Year ended December 31, 2013*	Average for the year ended December 31, 2013
US dollar (USD)	3.6868	3.3487	3.2551	3.3279
Euro (EUR)	4.4821	4.4440	4.4847	4.4186
Moldavian Leu (MDL)	0.2359	0.2386	0.2496	0.2646
Serbian Dinar (RSD)	0.0369	0.0379	0.0391	0.0391
Bulgarian Leva (BGN)	2.2916	2.2722	2.2930	2.2592

*) as communicated by National Bank of Romania

b) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

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6. INTANGIBLE ASSETS

	<u>Concessions, licences, and other intangible assets</u>	<u>Oil and gas assets with unproved reserves</u>	<u>Total</u>
COST			
Balance as at January 1, 2014	1,836.71	782.95	2,619.66
Exchange differences	(1.27)	-	(1.27)
Additions*	18.07	1,153.63	1,171.70
Transfers to tangible assets (Note 7)	(0.57)	(32.36)	(32.93)
Disposals**	(460.55)	(32.29)	(492.84)
Balance as at December 31, 2014	1,392.39	1,871.93	3,264.32
ACCUMULATED AMORTISATION AND IMPAIRMENT			
Balance as at January 1, 2014	1,446.47	358.46	1,804.93
Exchange differences	(0.73)	-	(0.73)
Amortization	81.29	-	81.29
Impairment	89.86	63.68	153.54
Transfers to tangible assets (Note 7)	(0.57)	-	(0.57)
Disposals**	(398.73)	(32.29)	(431.02)
Balance as at December 31, 2014	1,217.59	389.85	1,607.44
CARRYING AMOUNT			
As at January 1, 2014	390.24	424.49	814.73
As at December 31, 2014	174.80	1,482.08	1,656.88

*) Include the amount of RON 0.18 million representing increase from the reassessment of decommissioning asset for exploration wells (under category "Oil and gas assets with unproved reserves").

**) Include disposal of intangible assets in relation to transfer of business to OMV Petrom Global Solutions S.R.L. – refer to Note 31d) for details.

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7. PROPERTY, PLANT AND EQUIPMENT

COST	Land, land rights and buildings, incl. third-party property	Oil and gas assets	Plant and machinery	Other fixtures and fittings, tools and equipment	Assets under construction	Payments in advance	Total
Balance as at January 1, 2014	4,621.57	30,354.14	8,774.12	918.42	1,194.26	82.28	45,944.79
Exchange differences	(23.78)	376.18	17.29	2.71	0.80	0.04	373.24
Additions**	77.15	5,167.90	510.70	12.52	514.92	30.82	6,314.01
Transfers*	129.66	53.81	497.00	56.64	(640.22)	(63.96)	32.93
Transfers to/(from) assets held for sale	(0.45)	-	0.14	0.07	-	-	(0.24)
Disposals***	(134.71)	(629.63)	(293.06)	(27.46)	(27.09)	(49.18)	(1,161.13)
Balance as at December 31, 2014	4,669.44	35,322.40	9,506.19	962.90	1,042.67	-	51,503.60
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
Balance as at January 1, 2014	1,384.96	10,150.12	3,129.57	568.85	51.83	0.08	15,285.41
Exchange differences	(7.88)	279.43	14.38	0.95	(0.11)	-	286.77
Depreciation	185.27	1,799.48	656.00	73.24	-	-	2,713.99
Impairment	87.48	1,011.27	682.34	17.89	65.02	-	1,864.00
Transfers*)	(3.75)	(0.49)	(18.88)	23.86	(0.17)	-	0.57
Transfers to/(from) assets held for sale	1.09	-	0.11	0.07	-	-	1.27
Disposals***	(32.85)	(623.11)	(239.22)	(25.21)	(11.06)	(0.08)	(931.53)
Write-ups	(0.97)	(1.74)	(3.56)	(0.11)	(0.14)	-	(6.52)
Balance as at December 31, 2014	1,613.35	12,614.96	4,220.74	659.54	105.37	-	19,213.96
CARRYING AMOUNT							
As at January 1, 2014	3,236.61	20,204.02	5,644.55	349.57	1,142.43	82.20	30,659.38
As at December 31, 2014	3,056.09	22,707.44	5,285.45	303.36	937.30	-	32,289.64

*) Net amount represents transfers from intangibles. See Note 6.

**) Include the amount of RON 1,208.03 million representing increase from reassessment of the decommissioning asset, the amount of RON 24.13 million representing additions through finance lease, mainly for production of electricity and pipe yards facilities, and RON 1.24 million representing land deeds obtained from Romanian State.

***) Include disposal of property, plant and equipment in relation to transfer of business to OMV Petrom Global Solutions S.R.L. – refer to Note 31d) for details.

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7. PROPERTY, PLANT AND EQUIPMENT (continued)

Property, plant and equipment include fixed assets acquired through finance lease with a carrying amount of RON 278.43 million as at December 31, 2014 (2013: RON 292.85 million).

The Group ceased to capitalize borrowing costs during 2013, following the finalization of the qualifying projects.

Expenditure capitalized in the course of construction of tangible and intangible assets is RON 736.69 million (2013: RON 680.92 million).

For details on impairments see Note 21.

8. INVESTMENTS IN ASSOCIATED COMPANIES

As at December 31, 2014 and December 31, 2013 OMV Petrom Group had the following associates:

Associate	Principal place of business	Shareholding %	
		December 31, 2014	December 31, 2013
OMV Petrom Global Solutions S.R.L.	Romania	25.00	-
Congaz S.A.	Romania	-	28.59

None of these associates is individually material to the Group. The table below summarizes financial information for the Group's interest in associates (aggregated):

	2014	2013
Carrying amount of interests in individually immaterial associates	35.30	42.71
Group's share of:		
- profit from continuing operations (Note 22)	10.67	3.27
- unrecognized gain from transfer of business (Note 31d)	(17.53)	-
- Total comprehensive income	(6.86)	3.27

Carrying amount reconciliation for immaterial associates is as follows:

COST	Associates
Balance as at January 1, 2014	42.71
Additions	45.24
Share of result of associates (Note 22)	10.67
Share of unrecognized gain from transfer of business (Note 31d)	(17.53)
Disposals	(45.79)
Balance as at December 31, 2014	35.30

Additions relate to set-up of new associate OMV Petrom Global Solutions S.R.L. and disposals consist of the sale of Congaz S.A.

There are no significant unrecognized commitments in relation with associates.

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9. RECEIVABLES AND OTHER FINANCIAL ASSETS

a) Trade receivables are amounting to RON 1,424.37 million as at December 2014 (2013: RON 1,429.24 million). They are presented net of impairment allowances, which are detailed in 9c) below.

b) Other financial assets (net of allowances)

	December 31, 2014	Liquidity term	
		less than 1 year	over 1 year
Investments	4.16	-	4.16
Expenditure recoverable from Romanian State	2,362.12	236.84	2,125.28
Other financial assets	214.38	152.03	62.35
Total	2,580.66	388.87	2,191.79

	December 31, 2013	Liquidity term	
		less than 1 year	over 1 year
Investments	5.03	-	5.03
Expenditure recoverable from Romanian State	2,249.88	180.44	2,069.44
Other financial assets	191.21	122.23	68.98
Total	2,446.12	302.67	2,143.45

Investments

The position "Investments" comprises all the investments in companies that were not consolidated, as the Group neither has control nor significant influence over their operations, or they were considered immaterial for the Group. These financial assets are accounted for at amortized cost.

Expenditure recoverable from Romanian State

As part of the privatization agreement, OMV Petrom S.A. is entitled to reimbursement by the Romanian State of part of decommissioning and environmental costs incurred to restore and clean up areas pertaining to activities prior to privatization in 2004. Consequently, OMV Petrom S.A. has recorded as receivable from the Romanian State the estimated decommissioning obligations having a net present value of RON 2,085.81 million as at December 31, 2014 (2013: RON 1,895.73 million) and environmental liabilities in E&P, R&M and Doljchim with net present value of RON 276.31 million (2013: RON 354.15 million), as these were existing prior to privatization of OMV Petrom S.A.

c) Valuation allowances

The movements in valuation allowances for investments were as follows:

	Year 2014
January 1, 2014	13.96
Additions	0.78
December 31, 2014	14.74

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9. RECEIVABLES AND OTHER FINANCIAL ASSETS (continued)

The movements in valuation allowances for trade receivables and for other financial assets were as follows:

	Valuation allowance for:		
	Trade receivables	Other financial assets	Total
January 1, 2014	200.17	464.33	664.50
Additions/ (releases)	(8.88)	41.38	32.50
Used	(7.16)	(1.65)	(8.81)
Exchange differences and changes in consolidated Group	(0.30)	0.29	(0.01)
December 31, 2014	183.83	504.35	688.18

The gross value of impaired trade receivables as at December 31, 2014 is of RON 198.33 million (2013: RON 220.25 million) and the gross value of impaired other financial assets amounts to RON 520.21 million (2013: RON 476.81 million).

d) The aging profile of receivables and other financial assets which were past due but not impaired was as follows:

Trade receivables	December 31, 2014	December 31, 2013
Up to 60 days overdue	156.17	121.25
61 to 120 days overdue	2.23	2.82
More than 120 days overdue	12.26	8.30
Total	170.66	132.37

Other financial assets	December 31, 2014	December 31, 2013
Up to 60 days overdue	0.20	0.24
61 to 120 days overdue	-	-
More than 120 days overdue	-	0.04
Total	0.20	0.28

10. OTHER ASSETS

The carrying value of other assets was as follows:

	December 31, 2014	Liquidity term	
		less than 1 year	over 1 year
Receivable from taxes	340.40	319.88	20.52
Prepaid expenses and deferred charges	69.45	69.27	0.18
Advance payments on fixed assets	49.37	49.37	-
Rental and lease prepayments	34.96	34.96	-
Other assets	64.22	63.58	0.64
Total	558.40	537.06	21.34

^{*)} shown in other assets from December 31, 2014

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10. OTHER ASSETS (continued)

	December 31, 2013	Liquidity term	
		less than 1 year	over 1 year
Receivables from taxes	232.78	211.32	21.46
Prepaid expenses and deferred charges	40.80	40.57	0.23
Rental and lease prepayments	30.97	30.97	-
Other assets	32.46	31.81	0.65
Total	337.01	314.67	22.34

11. INVENTORIES

	December 31, 2014	December 31, 2013
Crude oil	395.48	358.13
Natural gas	183.75	57.32
Other raw materials	264.46	253.72
Work in progress	117.12	117.91
Finished products	1,289.24	1,198.39
Advances paid for inventories *	-	10.82
Total	2,250.05	1,996.29

*¹⁾ shown in other assets from December 31, 2014

The cost of materials and goods consumed during 2014 (whether used in production or re-sold) is of RON 6,328.37 million (2013: RON 7,958.41 million).

The carrying amount of inventories pledged as security for liabilities is RON 16.64 million as of December 31, 2014 (2013: RON 3.32 million).

12. ASSETS HELD FOR SALE

	December 31, 2014	December 31, 2013
Land and buildings	12.03	27.70
Plant and equipment	-	3.01
Intangible assets	1.68	1.78
Other assets	-	1.74
Deferred tax asset (Note 18)	-	1.64
Assets held for sale	13.71	35.87
Provisions	-	0.09
Liabilities	-	0.02
Liabilities associated with assets held for sale	-	0.11

As at December 31, 2014, the assets and liabilities held for sale relate mainly to R&M segment for the estimated sale of several plots of land.

As at December 31, 2013, most of the assets and liabilities held for sale relate to several subsidiaries in R&M segment (OMV Bulgaria OOD and OMV Srbija DOO), for the estimated sale of several filling stations and plots of land.

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13. STOCKHOLDERS' EQUITY

Share capital

The share capital of OMV Petrom S.A. consists of 56,644,108,335 fully paid shares as at December 31, 2014 and 2013 with a total nominal value of RON 5,664.41 million.

During 2013, OMV Petrom S.A. used the inflation adjustment to share capital in amount of RON 13,318.96 million (Romania was a hyperinflationary economy until January 2004), to cover the related accumulated loss. This was approved at the General Meeting of the Shareholders held on April 22, 2013.

Revenue reserves

Revenue reserves include retained earnings, as well as other non-distributable reserves (legal and geological quota facility reserves, other reserves from fiscal facilities).

Geological quota included in revenue reserves is amounting to RON 5,062.84 million (2013: same amount). Until December 31, 2006, OMV Petrom S.A. benefited from geological quota facility whereby it could charge up to 35% of the market value of the volume of oil and gas extracted during the year. This facility was recognized directly in reserves. This quota was restricted to investment purposes and is not distributable. The quota was non-taxable.

Legal reserves included in revenue reserves are amounting to RON 1,132.88 million (2013: same amount). OMV Petrom S.A. sets its legal reserve in accordance with the provisions of the Romanian Companies Law, which requires that 5% of the annual accounting profit before tax is transferred to "legal reserve" until the balance of this reserve reaches 20% of the share capital of the Company.

Other reserves from fiscal facilities are amounting to RON 248.29 million (2013: RON 208.60 million). The amount of RON 39.69 million was allocated to other reserves in the year 2014 representing fiscal facilities from reinvested profit.

Other reserves

Other reserves contain mainly reserves from business combinations in stages, land for which land ownership certificates were obtained but was not yet included in share capital and exchange differences on loans considered net investment in a foreign operation.

Increase in other reserves amounting to RON 75.19 million is related to land for which land ownership certificates were obtained by OMV Petrom S.A. from Romanian State up to December 31, 2014 but was not yet included in share capital.

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14. PROVISIONS

	Pensions and similar obligations	Decommissioning and restoration	Other provisions	Total
January 1, 2014	303.95	6,148.24	883.53	7,335.72
thereof short-term	-	370.11	281.73	651.84
thereof long-term	303.95	5,778.13	601.80	6,683.88
Exchange differences	-	13.05	(0.02)	13.03
Liabilities associated with assets held for sale	-	-	0.09	0.09
Used	(11.66)	(229.34)	(42.18)	(283.18)
Allocations/(releases) *	(9.28)	1,614.34	529.99	2,135.05
December 31, 2014	283.01	7,546.29	1,371.41	9,200.71
thereof short-term	-	291.37	817.56	1,108.93
thereof long-term	283.01	7,254.92	553.85	8,091.78

*) Include release of provisions in relation to transfer of business to OMV Petrom Global Solutions S.R.L.
– refer to Note 31d) for details.

Provisions for pensions and similar obligations

Employees of several Group companies are entitled to receive severance payments upon termination of employment or on reaching normal retirement age. The entitlements depend on years of service and final compensation levels. Provisions have been set up based on actuarial calculations performed by qualified actuaries using the following parameters: a discount rate of 3.73% (2013: 4.85%), an inflation rate of 2.22% (2013: 2.02%) and an average yearly salary increase of 5.00% (2013: 5.00%).

Provisions for decommissioning and restoration

Changes in provisions for decommissioning and restoration are shown in the table below. In the event of subsequent changes in estimated restoration costs only the effect of the change in present value is recognized in the period concerned. If the value increases, the increase is depreciated over the remaining useful life of the asset, and if it decreases, the decrease is deducted from capitalized asset value. Interest rates applied for calculating of decommissioning and restoration costs are between 0.23% and 3% (2013: between 0.59% and 3%).

The provision for decommissioning and restoration costs includes mainly obligations in respect of OMV Petrom S.A. amounting to RON 7,416.88 million (2013: RON 6,033.66 million). There is a corresponding receivable from the Romanian State of RON 2,085.81 million (2013: RON 1,895.73 million), which is disclosed under "Other financial assets" item (Note 9).

Revisions in estimates for decommissioning and restoration provisions arise from the yearly reassessment of the cost of workings, the number of wells and other applicable items, as well as the expected timing of the decommissioning and restoration, as well as revision of estimated interest rates.

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14. PROVISIONS (continued)

Details on the Decommissioning and restoration obligations are as follows:

	<u>2014</u>	<u>2013</u>
January 1	6,148.24	6,228.04
Exchange differences	13.05	(3.15)
Revisions in estimates	1,325.21	(251.12)
Unwinding effect	289.13	373.83
Used in current year	<u>(229.34)</u>	<u>(199.36)</u>
December 31	<u>7,546.29</u>	<u>6,148.24</u>

The revisions in estimates impact either the assets subject to decommissioning or the related receivable from State. The unwinding effect is included in the income statement under the interest expenses line (Note 23) net of the unwinding effect on the related receivable from State. The effect of changes in discount rate or timing of the receivable from State (which are additional to the changes in discount rate or timing of the decommissioning costs) is included in the income statement under interest expenses or interest income. Impact from revision in estimates in 2014 is generated by reduction of discount rates and by higher estimated decommissioning costs for onshore and offshore wells and facilities in Romania.

Other provisions were as follows:

December 31, 2014	<u>Total</u>	<u>less than 1 year</u>	<u>over 1 year</u>
Environmental provision	196.65	66.49	130.16
Other personnel provisions	160.51	160.51	-
Provisions for litigations	460.55	73.85	386.70
Other	<u>553.70</u>	<u>516.71</u>	<u>36.99</u>
Total	<u>1,371.41</u>	<u>817.56</u>	<u>553.85</u>

December 31, 2013	<u>Total</u>	<u>less than 1 year</u>	<u>over 1 year</u>
Environmental provision	173.38	52.40	120.98
Other personnel provisions	65.92	65.92	-
Provisions for litigations	453.75	78.10	375.65
Other	<u>190.48</u>	<u>85.31</u>	<u>105.17</u>
Total	<u>883.53</u>	<u>281.73</u>	<u>601.80</u>

Environmental provisions

The environmental provisions were estimated by the management based on the list of environment related projects that must be completed by OMV Petrom Group. Provisions recorded as at December 31, 2014 and 2013 represent the best estimate of the Group's experts for environmental matters. Environmental provisions are computed using the same interest rates as for the decommissioning and restoration provisions.

OMV Petrom S.A. recorded environmental liabilities against receivable from the Romanian State in E&P and R&M, as these obligations existed prior to privatization. (Note 9)

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14. PROVISIONS (continued)

Other personnel provisions

Included in other personnel provisions is mainly the restructuring provision recorded by OMV Petrom S.A. further to approved restructuring plan that has been communicated to those affected by it.

Provisions for litigations

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

Other provisions

Increase in other short-term provisions as at December 31, 2014 is driven primarily by alleged debts and late payment interest charges following a tax review of the years 2009 and 2010 in OMV Petrom S.A.

Emissions certificates

Directive 2003/87/EC of the European Parliament and of the European Council established a greenhouse gas emissions trading scheme, requiring member states to draw up national plans to allocate emissions certificates. Romania was admitted to the scheme in January 2007, when it joined the EU.

The only company from the Group included in this allocation is OMV Petrom S.A. Under this scheme OMV Petrom S.A. is entitled to 2,664,658 emission certificates for year 2014 (2013: 3,006,806 emissions certificates). During 2014, OMV Petrom S.A. received 3,690,188 emissions certificates, out of which 3,006,806 emission certificates from 2013 entitlement and 683,382 emission certificates from 2014 entitlement.

During 2014 the Group had net sales of 257,000 emissions certificates (2013: net purchases of 159,507 emissions certificates).

A shortfall in emissions certificates would be provided for. Until December 31, 2014, the Group was not short of certificates.

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15. INTEREST-BEARING DEBTS

As at December 31, 2014 and December 31, 2013 OMV Petrom Group had the following loans:

Interest-bearing debts short-term

Borrower	Lender	December 31, 2014	December 31, 2013
OMV Petrom S.A.	European Bank for Reconstruction and Development (a)	95.02	95.07
OMV Petrom S.A.	European Investment Bank (b)	85.37	85.42
OMV Petrom S.A.	OMV Petrom Global Solutions S.R.L. (c)	73.76	-
OMV Petrom Marketing S.R.L.	Raiffeisen Bank S.A. (d)	9.00	-
Tasbulat Oil Corp.	Citibank Kazakhstan (e)	-	0.63
	Accrued interest	12.07	9.38
	Prepayments in relation with loan amounts drawn	(1.55)	(1.46)
Total interest bearing debts short term		273.67	189.04

Interest-bearing debts long-term

Borrower	Lender	December 31, 2014	December 31, 2013
OMV Petrom S.A.	European Investment Bank (b)	612.55	698.33
Kom Munai LLP.	European Bank for Reconstruction and Development (f)	523.53	-
OMV Petrom S.A.	European Bank for Reconstruction and Development (a)	468.83	564.18
	Prepayments in relation with loan amounts drawn	(15.95)	(8.78)
Total interest-bearing debts long term		1,588.96	1,253.73
Total interest-bearing debts		1,862.63	1,442.77

- (a) For the construction of Brazi Power Plant, OMV Petrom S.A. concluded an unsecured corporate loan agreement with European Bank for Reconstruction and Development for a maximum amount of EUR 200.00 million. The agreement was signed on May 8, 2009 and the final maturity date is November 10, 2020. The amount due as at December 31, 2014 amounted to RON 563.85 million (equivalent of EUR 125.80 million) (2013: RON 659.25 million, equivalent of EUR 147.00 million).
- (b) For the construction of the Brazi Power Plant, OMV Petrom S.A. also concluded an unsecured loan agreement for an amount of EUR 200.00 million with European Investment Bank. The agreement was signed on May 8, 2009 and the final maturity date is June 15, 2023. The outstanding amount as at December 31, 2014 was RON 697.92 million (equivalent of EUR 155.71 million) (2013: RON 783.75 million, equivalent of EUR 174.76 million).
- (c) A cash pooling agreement with maturity on April 24, 2015, renewable each year, was signed between OMV Petrom S.A. and OMV Petrom Global Solutions S.R.L. on April 25, 2014. The aggregated amount of the loan is RON 90.00 million, usable in RON or any other currency EUR, USD and GBP. Amount drawn by the Group as at December 31, 2014 was RON 73.76 million.

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15. INTEREST-BEARING DEBTS (continued)

- (d) A committed loan concluded on June 23, 2014 between OMV Petrom Marketing S.R.L. and Raiffeisen Bank S.A. for an amount of EUR 2.10 million, to finance the energy efficiency investment in LED technology in OMV Petrom branded filling stations with maturity on March 31, 2015. The balance as at December 31, 2014 amounts to RON 9.00 million, equivalent of EUR 2.00 million.
- (e) A revolving credit facility contracted by Tasbulat LLP from Citibank Kazakhstan, with a maximum limit of USD 3.00 million (equivalent of RON 11.06 million) and maturity date December 31, 2014. The facility was cancelled in August 2014, when a new agreement was signed, detailed at point (i) below. The outstanding amount as at December 31, 2013 was of USD 0.19 million (equivalent of RON 0.63 million), amount that was fully paid during 2014.
- (f) On September 25, 2014 was concluded an unsecured loan agreement between European Bank for Reconstruction and Development and Kom-Munai LLP with a limit of USD 200.00 million and the final maturity date May 20, 2022, consisting of:
- tranche 1 with a maximum limit of USD 120.00 million, to be used for refinancing of intra-group loans;
 - tranche 2 with a maximum limit of USD 80.00 million, to be used for future capital expenditures.
- The amount due as at December 31, 2014 is of RON 523.53 million (equivalent of EUR 142.00 million).

The OMV Petrom Group's companies have several credit facilities signed as at December 31, 2014 as follows:

- (g) An unsecured credit facility granted by Raiffeisen Bank S.A. up to EUR 141.60 million consisting in two subfacilities: subfacility A with maturity date prolonged to December 31, 2015 (for an amount of EUR 95.00 million) and subfacility B with maturity date December 15, 2016 (for an amount of EUR 46.60 million). Subfacility A can be used only in RON and only by OMV Petrom S.A. as overdraft credit line. Subfacility B can be used in EUR, USD or RON by OMV Petrom S.A., OMV Petrom Marketing S.R.L. and OMV Petrom Gas S.R.L. (up to the limit of EUR 46.60 million); OMV Petrom Wind Power S.R.L. (up to the maximum limit of EUR 1.00 million) and by SC OMV Petrom Aviation S.A. (up to the maximum limit of EUR 10.00 million) only for the issuance of letters of credit and/or issuance of letters of bank guarantee. The Credit facility was not used as at December 31, 2014 and December 31, 2013.
- (h) On November 22, 2011, OMV Petrom S.A. replaced the Banks Consortiums credit facilities amounting to EUR 875.00 million contracted in 2008 and 2009 with a new unsecured Banks Consortium revolving facility amounting to EUR 930.00 million with 3 years maturity and possibility of extension with another 2 years. The Banks Consortium included Banca Comercială Română S.A (Erste Bank), Barclays Bank PLC, BRD – Groupe Société Générale S.A., Citibank Europe plc, BNP Paribas-Fortis Bank SA/NV Bruxelles Bucharest Branch, ING Bank N.V. Amsterdam Bucharest Branch, J.P. Morgan Europe Limited, OTP Bank Romania S.A., Raiffeisen Bank International AG, Raiffeisenlandesbank Niederösterreich Wien AG, Raiffeisenlandesbank Oberösterreich AG, Raiffeisen Bank S.A., Bank of Tokyo Mitsubishi UFJ (Holland) N.V., Unicredit Bank Austria AG, Unicredit Ţiriac Bank S.A. The final maturity date was prolonged until November 22, 2016. There are no drawings from this facility as at December 31, 2014 and December 31, 2013.
- (i) A credit facility contracted on October 8, 2014 by Tasbulat Oil Corporation LLP and Kom-Munai LLP (the "Borrowers") from JSK Citibank Kazakhstan, accesible to both borrowers up to the maximum limit of USD 10.00 million (equivalent of RON 36.86 million) and maturity date July 31, 2015 with further extension possibility for successive periods of 12 (twelve) months, but for no more than a total 5 (five) years from the date of the agreement i.e. until October 8, 2019. The purpose of the facility is for general corporate needs and working capital financing. The credit facility was not used as at December 31, 2014.
- (j) An unsecured facility contracted by OMV Bulgaria OOD from Citibank Sofia, with a maximum limit of BGN 23.27 million (equivalent of RON 53.33 million) and maturity date June 30, 2015. The destination of the facility is financing current operational activities (overdraft) and issuance of letters of bank guarantee without cash collateral. There were no drawings under the overdraft facility as at December 31, 2014.

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15. INTEREST-BEARING DEBTS (continued)

- (k) An unsecured revolving facility contracted by OMV Serbia from Raiffeisen Bank Belgrade, with a maximum limit of EUR 4.00 million (equivalent of RON 17.93 million) and maturity prolonged until March 2, 2015. The destination of the facility is general corporate purposes financing on a roll-over basis and issuance of letters of bank guarantee without cash collateral. No drawings were made under the revolving facility as at December 31, 2014.
- (l) An unsecured facility contracted by OMV Serbia from Raiffeisen Bank Belgrade, with a maximum limit of RSD 350.00 million (equivalent of RON 12.92 million) and maturity date March 31, 2015. The destination of the facility is general corporate purposes financing on an overdraft basis and issuance of letters of bank guarantee without cash collateral. No drawings were made under the overdraft facility as at December 31, 2014.
- (m) An uncommitted, unsecured overdraft facility of RON 85.00 million contracted by OMV Petrom S.A. from Banca Comercială Intesa Sanpaolo Romania S.A. for general corporate expenditure, with maturity date April 22, 2015. No drawings were made under the overdraft facility as at December 31, 2014.
- (n) An uncommitted, unsecured facility contracted by OMV Petrom S.A. from ING Bank N.V., that can be used in USD, RON or EUR, up to the maximum amount of EUR 70.00 million (equivalent of RON 313.75 million), for issuance of letters of guarantee and as overdraft for working capital financing. The maturity for letters of guarantee is until November 22, 2017 and for overdraft and the maturity is until November 22, 2015. No drawings under the overdraft were made as at December 31, 2014.
- (o) An uncommitted and unsecured credit facility contracted by OMV Petrom S.A. from BRD – Groupe Société Générale S.A. with maximum limit of EUR 120.00 million (equivalent of RON 537.85 million) that can be used in RON, with maturity date April 30, 2015. The facility is designated to finance OMV Petrom's current activity and for issuance of letters of guarantee and letters of credit. No drawings under the facility were made as at December 31, 2014.

OMV Petrom Group's companies have signed also facilities with several banks for issuing letters of guarantee, as follows:

- (p) An unsecured facility agreement was signed by OMV Petrom S.A. with Fortis Bank S.A.– Bucharest branch – for up to EUR 30.00 million (equivalent of RON 134.46 million), to be utilized only for issuance of letters of bank guarantee, with maturity date May 31, 2015 with yearly automatic renewal, but not later than May 31, 2017.
- (q) An unsecured credit facility up to EUR 30.00 million (equivalent of RON 134.46 million) obtained by OMV Petrom S.A. from BRD – Groupe Société Générale S.A., to be utilized only for issuance of letters of bank guarantee and letters of credit. The validity period for the credit facility is April 30, 2015.
- (r) An unsecured credit facility received by OMV Petrom S.A. from Bancpost S.A., up to EUR 25.00 million (equivalent of RON 112.05 million), to be utilized only for issuance of letters of bank guarantee, with maturity until March 31, 2015.
- (s) A frame facility contracted by OMV Serbia from Raiffeisen Bank Belgrade, with a maximum limit of EUR 2.00 million (equivalent of RON 8.96 million) and maturity date January 12, 2016. The destination of the facility is the issuance of letters of bank guarantee and letters of credit.

As at December 31, 2014, OMV Petrom Group is in compliance with all financial covenants stipulated by the loan agreements.

Please refer also to Note 35 for details regarding interest rate risks of interest-bearing debt.

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16. OTHER FINANCIAL LIABILITIES

	December 31, 2014	less than 1 year	over 1 year
Finance lease liabilities	295.75	37.39	258.36
Financial liabilities in connection with joint operations	425.79	425.79	-
Other financial liabilities	222.02	201.28	20.74
Total	943.56	664.46	279.10

	December 31, 2013	less than 1 year	over 1 year
Finance lease liabilities	297.74	36.62	261.12
Financial liabilities in connection with joint operations	12.73	12.73	-
Other financial liabilities	297.68	269.52	28.16
Total	608.15	318.87	289.28

Finance lease liabilities

OMV Petrom Group acquired through finance lease mainly equipment for production of electricity and pipe yards facilities for tubing reconditioning in OMV Petrom (E&P segment) and a hydrogen and medium pressure steam production plant for Petrobrazi Refinery in OMV Petrom (R&M segment).

For the pipe yards facilities (including 2014 additions) the lease period is 15 years and the total future minimum lease payments amounts to RON 83.92 million as at December 31, 2014 (2013: RON 68.60 million).

For the hydrogen and medium pressure steam production plant (acquired in 2013) the lease period is 15 years and the total future minimum lease payments amounts to RON 169.50 million as at December 31, 2014 (2013: RON 175.35 million).

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

	December 31, 2014	December 31, 2013
Obligations under finance leases		
Amounts due within 1 year	57.42	51.88
Amounts due after more than 1 year but not later than 5 years	160.25	161.63
Amounts due after 5 years	202.58	202.93
Total lease obligations	420.25	416.44
Less future finance charges on finance leases	(124.50)	(118.70)
Present value of finance lease liabilities	295.75	297.74
<i>Analyzed as follows:</i>		
Maturing within 1 year	37.39	36.62
Maturing after more than 1 year but not later than 5 years	114.57	119.04
Maturing after 5 years	143.79	142.08
Total present value of finance lease liabilities	295.75	297.74

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16. OTHER FINANCIAL LIABILITIES (continued)

Maturity profile of financial liabilities

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted cash flows:

	<u>< 1 year</u>	<u>1-5 years</u>	<u>> 5 years</u>	<u>Total</u>
December 31, 2014				
Interest-bearing debts	297.83	1,175.25	511.51	1,984.59
Trade payables	2,899.24	-	-	2,899.24
Other financial liabilities	684.49	180.98	202.59	1,068.06
Total	3,881.56	1,356.23	714.10	5,951.89
	<u>< 1 year</u>	<u>1-5 years</u>	<u>> 5 years</u>	<u>Total</u>
December 31, 2013				
Interest-bearing debts	224.96	812.33	560.63	1,597.92
Trade payables	2,958.26	-	-	2,958.26
Other financial liabilities	334.14	189.71	203.00	726.85
Total	3,517.36	1,002.04	763.63	5,283.03

17. OTHER LIABILITIES

	<u>December 31, 2014</u>	<u>less than 1 year</u>	<u>over 1 year</u>
Deferred income	103.78	103.78	-
Tax liabilities	612.21	612.21	-
Social security	37.28	37.28	-
Other liabilities	130.99	130.99	-
Total	884.26	884.26	-
	<u>December 31, 2013</u>	<u>less than 1 year</u>	<u>over 1 year</u>
Deferred income	114.08	114.08	-
Tax liabilities	587.11	587.11	-
Social security	42.10	42.10	-
Other liabilities	47.08	47.08	-
Total	790.37	790.37	-

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18. DEFERRED TAX

December 31, 2014	Deferred tax assets before allowances	Allowances	Net deferred tax assets	Deferred tax liabilities
Tangible and intangible assets	278.74	74.02	204.72	392.68
Financial assets	85.96	1.02	84.94	4.67
Inventories	38.13	1.17	36.96	-
Receivables and other assets	71.74	41.72	30.02	4.15
Untaxed reserves	1.50	-	1.50	9.64
Provisions for pensions and severance payments	45.28	-	45.28	-
Other provisions	1,035.64	16.31	1,019.33	-
Liabilities	22.86	6.07	16.79	4.02
Tax loss carried forward	23.40	-	23.40	-
Total	1,603.25	140.31	1,462.94	415.16
Netting (same tax jurisdiction/country)			(415.16)	(415.16)
Deferred tax, net			1,047.78	-
Total deferred tax			1,047.78	-

December 31, 2013	Deferred tax assets before allowances	Allowances	Net deferred tax assets	Deferred tax liabilities
Tangible and intangible assets	209.37	-	209.37	398.78
Financial assets	85.09	-	85.09	8.96
Inventories	50.92	-	50.92	1.30
Receivables and other assets	76.42	41.99	34.43	0.13
Untaxed reserves	-	-	-	10.15
Provisions for pensions and severance payments	48.63	-	48.63	-
Other provisions	781.80	-	781.80	-
Liabilities	24.10	-	24.10	0.97
Tax loss carried forward	52.18	-	52.18	-
Total	1,328.51	41.99	1,286.52	420.29
Netting (same tax jurisdiction/country)			(409.24)	(409.24)
Deferred tax, net			877.28	11.05
Deferred tax for assets and related liabilities held for sale (Note 12)	1.64	-	1.64	-
Total deferred tax			878.92	11.05

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18. DEFERRED TAX (continued)

As at December 31, 2014, losses carry-forward for tax purposes amounted to RON 295.38 million (2013: RON 278.68 million). Eligibility of losses for carry-forward expires as follows:

	<u>2014</u>	<u>2013</u>
2014	-	3.26
2015	3.60	10.21
2016	3.78	3.75
2017	2.28	-
2018	-	65.46
2019 / After 2018	48.10	196.00
After 2019	<u>237.62</u>	<u>-</u>
Total	<u>295.38</u>	<u>278.68</u>

19. OTHER OPERATING INCOME

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Exchange gains from operating activities	90.15	64.45
Gain on transfer of business (Note 31d)	52.59	-
Gains on disposal of non-current assets	30.13	45.94
Write-up tangible and intangible assets	6.52	12.30
Other operating income	<u>136.34</u>	<u>175.57</u>
Total	<u>315.73</u>	<u>298.26</u>

20. OTHER OPERATING EXPENSES

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Exchange losses from operating activities	122.13	74.36
Losses on disposal of non-current assets	60.17	44.44
Expenses with provisions for litigations	16.25	7.53
Other operating expenses	<u>602.27</u>	<u>561.01</u>
Total	<u>800.82</u>	<u>687.34</u>

Other operating expenses include an amount of RON 104.16 million (2013: RON 15.81 million) representing restructuring expenses. Restructuring expenses were also booked in 2013 in administrative expenses in amount of RON 3.76 million and in cost of sales in amount of RON 1.34 million.

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21. COST INFORMATION

For the years ended December 31, 2014 and December 31, 2013 the consolidated income statement includes the following personnel expenses:

	December 31, 2014	December 31, 2013
Wages and salaries	2,254.45	2,013.14
Other personnel expenses	<u>148.72</u>	<u>167.94</u>
Total personnel expenses	<u>2,403.17</u>	<u>2,181.08</u>

Included in the above personnel expenses is the amount of RON 317.10 million, representing Group's contribution to state pension plan for the year ended December 31, 2014 (2013: RON 328.20 million).

Depreciation, amortization and impairment losses net of write-ups of intangible assets and property, plant and equipment consisted of:

	December 31, 2014	December 31, 2013
Depreciation and amortization	2,795.28	2,823.90
Net impairment intangible assets and property, plant and equipment	<u>2,011.02</u>	<u>530.82</u>
Total depreciation, amortization and impairment	<u>4,806.30</u>	<u>3,354.72</u>

Net impairment losses booked during the year ended December 31, 2014 for intangible assets and property, plant and equipment were related to E&P segment amounting RON 1,229.91 million (including impairment of one of Kazakhstan assets, impairments for replaced assets, for unsuccessful workovers and exploration wells in Romania), to G&P amounting RON 715.81 million (related to Brazi power plant and Dorobantu wind power park in Romania), to R&M amounting RON 65.04 million (mainly related to impairment of retail assets in Serbia) and also to Corporate & Other segment RON 0.26 million.

Net impairment losses booked during the year ended December 31, 2013 for tangible and intangible assets were related to E&P segment amounting RON 444.02 million (including mainly impairments for replaced assets and for unsuccessful exploration wells in Romania), to G&P amounting RON 43.69 million (mainly related to Petrom Distributie Gaze S.R.L. assets), to R&M amounting RON 42.82 million (mainly related to impairment of marketing assets) and also to Corporate & Other segment RON 0.29 million.

In the consolidated income statement the impairment losses are mainly included under cost of sales amounting RON 1,884.80 million (2013: RON 367.64 million), exploration expenses of RON 63.68 million (2013: RON 93.72 million) and selling expenses of RON 69.06 million (2013: RON 81.76 million). These impairment losses are netted of with write-ups amounting to RON 6.52 (2013: RON 12.30 million).

Rental expenses included in current period consolidated income statement are RON 204.27 million (2013: RON 225.72 million).

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22. INCOME FROM ASSOCIATED COMPANIES

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Share of the result of associated companies	10.67	3.27
Dividends from associated companies	<u>-</u>	<u>1.13</u>
Total income from associated companies	<u>10.67</u>	<u>4.40</u>

23. INTEREST INCOME AND INTEREST EXPENSES

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Interest income		
Interest income from receivables and other	9.22	48.45
Interest income from short term bank deposits	14.58	33.87
Unwinding income for other financial assets and positive effect of changes in discount rate and timing for State receivable	<u>48.53</u>	<u>123.58</u>
Total interest income	<u>72.33</u>	<u>205.90</u>
Interest expenses		
Interest expenses	(313.08)	(78.97)
Unwinding expenses for retirement benefits provision	(14.38)	(15.59)
Unwinding expenses for decommissioning provision, net of the unwinding income for related State receivable	(208.39)	(258.58)
Unwinding and discounting for other items	<u>(13.30)</u>	<u>(7.06)</u>
Total interest expenses	<u>(549.15)</u>	<u>(360.20)</u>
Net interest result	<u>(476.82)</u>	<u>(154.30)</u>

Decrease in interest income is mainly driven by the fact that last year was positively impacted by reassessment of receivables.

Interest expenses line in 2014 mainly relates to alleged late payment interest charges following a tax review of the years 2009 and 2010 in OMV Petrom S.A.

24. OTHER FINANCIAL INCOME AND EXPENSES

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Financial income		
Exchange gains from financing activities	147.31	72.60
Gains from investments and financial assets	<u>3.55</u>	<u>1.86</u>
Total financial income	<u>150.86</u>	<u>74.46</u>
Financial expense		
Exchange losses from financing activities	(65.34)	(124.69)
Losses from financial assets and securities	(5.79)	-
Other financial expenses	<u>(42.70)</u>	<u>(59.13)</u>
Total financial expense	<u>(113.83)</u>	<u>(183.82)</u>
Other financial income and expenses	<u>37.03</u>	<u>(109.36)</u>

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25. TAXES ON INCOME

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Taxes on income - current year	981.63	896.95
Deferred tax (revenue) / expenses	<u>(172.12)</u>	<u>(22.39)</u>
Total taxes on income	<u>809.51</u>	<u>874.56</u>

The reconciliation of net deferred tax assets is as follows:

	<u>2014</u>	<u>2013</u>
Deferred taxes January 1	867.87	856.62
Deferred taxes December 31	<u>1,047.78</u>	<u>867.87</u>
Changes in deferred taxes	<u>179.91</u>	<u>11.25</u>
thereof deferred taxes in Other Comprehensive Income	7.79	(11.14)
thereof deferred taxes revenues / (expenses) in the Income Statement	<u>172.12</u>	<u>22.39</u>

Reconciliation

Profit before taxation	2,909.18	5,698.60
Income tax rate applicable for Parent company	16.00%	16.00%
Profits tax based on income tax rate of the Parent	465.47	911.78
Effect of differing foreign tax rates	<u>(33.18)</u>	<u>(31.06)</u>
Profits tax based on applicable rates	432.29	880.72
Tax effect of permanent differences	<u>377.22</u>	<u>(6.16)</u>
Profits tax expense in the Income Statement	<u>809.51</u>	<u>874.56</u>

Permanent differences in 2014 were generated mainly by non-deductible expenses related to alleged debts and late payment interest charges as a result of tax review for years 2009 and 2010 in Romania and by non-deductible impairment booked in Kazakhstan.

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26. EARNINGS PER SHARE

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

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Net profit attributable to own shareholders	2,102.67	4,820.85
Weighted average number of shares	<u>56,643,903,559</u>	<u>56,643,903,559</u>
Earnings per share in RON	<u>0.0371</u>	<u>0.0851</u>

The basic and diluted earnings per share are the same as there are no instruments that have a dilutive effect on earnings.

At the Annual General Meeting held on April 29, 2014, the shareholders of OMV Petrom S.A. approved the distribution of dividends for the financial year 2013 for the amount of RON 1,744.63 million, resulting in a dividend per share of 0.0308 RON.

27. SEGMENT INFORMATION

OMV Petrom Group is organized into three operating business segments: Exploration and Production (E&P), Gas and Power (G&P) and Refining and Marketing (R&M), while management, financing activities and certain service functions are concentrated in the Corporate & Other segment.

OMV Petrom Group's involvement in the oil and gas industry, by its nature, exposes it to certain risks. These include political stability, economic conditions, changes in legislation or fiscal regimes, as well as other operating risks inherent in the industry such as the high volatility of crude prices and the US dollar. A variety of measures are used to manage these risks.

Apart from the integration of OMV Petrom Group's upstream and downstream operations, and the policy of maintaining a balanced portfolio of assets in the E&P segment, the main instruments used are operational in nature. There is a Group-wide environmental risk reporting system in operation, designed to identify existing and potential obligations and to enable timely action to be taken. Insurance and taxation are also dealt with on a Group-wide basis. Regular surveys are undertaken across OMV Petrom Group to identify current litigation and pending court and administrative proceedings.

Business decisions of fundamental importance are made by the Executive Board of OMV Petrom S.A. The business segments are independently managed, as each represents a strategic unit with different products and markets.

E&P activities are mainly focused on Romania and Kazakhstan. E&P products are crude oil and natural gas.

Gas business unit has the objective to focus on gas sales and on the best use of the potential and opportunities resulting from the market liberalization. Business division **Power** mainly extends the gas value chain into a gas-fired power plant.

R&M produces and delivers gasoline, diesel and other petroleum products to its customers. **Refining** division operates one Romanian refinery, Petrobrazi. **Marketing** division delivers products to both Retail and Wholesale customers and operates in Romania, Bulgaria, Serbia and Republic of Moldova. OMV Petrom S.A. is the main player on the Romanian fuels market.

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27. SEGMENT INFORMATION (continued)

Operating segments:	Exploration & Production	Gas & Power	Refining & Marketing	Corporate & Other	Total	Consolidation	Consolidated total
December 31, 2014							
Intersegment sales	12,028.28	361.30	152.54	393.07	12,935.19	(12,935.19)	-
Sales with third parties	860.77	4,013.91	16,601.99	64.59	21,541.26	-	21,541.26
Total sales	12,889.05	4,375.21	16,754.53	457.66	34,476.45	(12,935.19)	21,541.26
EBIT	3,932.33	(818.07)	(79.37)	(150.50)	2,884.39	453.91	3,338.30
Total assets*	25,703.71	2,088.41	5,629.47	524.93	33,946.52	-	33,946.52
Additions in PPE/IA	6,635.86	4.38	798.37	47.10	7,485.71	-	7,485.71
Depreciation and amortization	2,038.69	151.01	555.38	50.20	2,795.28	-	2,795.28
Impairment losses (net)	1,229.91	715.81	65.04	0.26	2,011.02	-	2,011.02

Information about geographical areas:

December 31, 2014	Romania	Rest of CEE	Rest of world	Consolidation	Consolidated total
Sales with third parties**	17,139.59	4,334.19	67.48	-	21,541.26
Total assets*	32,486.05	711.11	749.36	-	33,946.52
Additions in PPE/IA	7,312.56	23.16	149.99	-	7,485.71

Sales with third parties made in Rest of CEE (Central Eastern Europe) include sales made in Bulgaria amounting to RON 2,273.62 million in 2014.

The key figure of operating performance for OMV Petrom Group is earnings before interest and tax (EBIT). In compiling the segment results, business activities with similar characteristics have been aggregated. Intra-Group sales and cost allocations by the parent company are determined in accordance with internal group policies. Management is of the opinion that the transfer prices of goods and services exchanged between segments correspond to market prices.

*) Intangible assets (IA), property, plant and equipment (PPE).

**) Sales are allocated per countries/regions based on the location where the risks and benefits are transferred to the customer.

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27. SEGMENT INFORMATION (continued)

Operating segments:	Exploration & Production	Gas & Power	Refining & Marketing	Corporate & Other	Total	Consolidation	Consolidated total
December 31, 2013							
Intersegment sales	12,112.56	435.56	180.65	553.25	13,282.02	(13,282.02)	-
Sales with third parties	1,107.85	3,879.91	19,127.63	69.83	24,185.22	-	24,185.22
Total sales	13,220.41	4,315.47	19,308.28	623.08	37,467.24	(13,282.02)	24,185.22
EBIT	5,528.61	112.43	385.53	(97.25)	5,929.32	28.54	5,957.86
Total assets*	22,296.95	2,948.54	5,491.25	737.37	31,474.11	-	31,474.11
Additions in PPE/IA	4,502.71	18.32	827.84	59.46	5,408.33	-	5,408.33
Depreciation and amortization	2,045.27	167.96	529.31	81.36	2,823.90	-	2,823.90
Impairment losses (net)	444.02	43.69	42.82	0.29	530.82	-	530.82

Information about geographical areas:

December 31, 2013	Romania	Rest of CEE	Rest of world	Consolidation	Consolidated total
Sales with third parties**	18,963.51	4,221.53	1,000.18	-	24,185.22
Total assets*	29,362.84	839.41	1,271.86	-	31,474.11
Additions in PPE/IA	5,123.17	23.65	261.51	-	5,408.33

Sales with third parties made in Rest of CEE (Central Eastern Europe) include sales made in Bulgaria amounting to RON 2,969.56 million in 2013.

The key figure of operating performance for OMV Petrom Group is earnings before interest and tax (EBIT). In compiling the segment results, business activities with similar characteristics have been aggregated. Intra-Group sales and cost allocations by the parent company are determined in accordance with internal group policies. Management is of the opinion that the transfer prices of goods and services exchanged between segments correspond to market prices.

*) Intangible assets (IA), property, plant and equipment (PPE).

**) Sales are allocated per countries/regions based on the location where the risks and benefits are transferred to the customer.

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28. AVERAGE NUMBER OF EMPLOYEES

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Total OMV Petrom Group	18,884	20,393
thereof:		
OMV Petrom S.A.	17,861	19,016
Subsidiaries	1,023	1,377

The number of employees was calculated as the average of the month's end number of employees during the year.

During 2014, a number of 1,141 employees were transferred to OMV Petrom Global Solutions S.R.L. Refer to Note 31d) for more details.

29. RELATED PARTIES

The terms of the outstanding balances receivable from/payable to related parties are typically 10 to 60 days. The balances are unsecured and will be settled in cash. There are no significant provisions for doubtful debts relating to these balances and no significant expense recognized in the consolidated income statement in respect of bad or doubtful debts. There are no guarantees given or paid to related parties as at December 31, 2014 and December 31, 2013. Dividends receivable are not included in the below balances and revenues.

During 2014, OMV Petrom Group had the following transactions with related parties (including balances as of December 31, 2014):

	Nature of transactions	<u>Purchases</u>	<u>Balances payable</u>
OMV Petrom S.A. - parent company			
OMV Petrom Global Solutions S.R.L.	Financial, IT and other services	215.05	62.80
OMV Refining & Marketing GmbH	Acquisition of petroleum products	144.88	52.14
OMV International Oil & Gas GmbH	Delegation of personnel and other	101.44	9.63
OMV Exploration & Production GmbH	Delegation of personnel and other	80.63	49.06
OMV Solutions GmbH	Delegation of personnel and other	30.18	-
OMV Aktiengesellschaft	Delegation of personnel and other	24.59	4.85
OMV Trading GmbH	Services and other	21.83	5.20
OMV Supply & Trading AG	Acquisition of petroleum products	13.50	-
OMV Hungária Ásványolaj Korlátolt Felelősségű Társaság	Acquisition of bitumen	5.86	-
OMV Gas & Power GmbH	Delegation of personnel and other	4.91	3.45
OMV Austria Exploration & Production GmbH	Various services	0.18	0.07
OMV Abu Dhabi E&P GmbH	Various services	0.16	0.16
OMV Samsun Elektrik Üretim Sanayi ve Ticaret A.Ş.	Delegation of personnel and other	0.10	0.10
OMV Power International GmbH	Delegation of personnel and other	0.01	-
OMV East Abu Dhabi Exploration GmbH	Various services	0.01	-
Total OMV Petrom S.A.		<u>643.33</u>	<u>187.46</u>

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29. RELATED PARTIES (continued)

	Nature of transactions	Purchases	Balances payable
OMV Petrom Group subsidiaries			
OMV Refining & Marketing GmbH	Acquisition of petroleum products	202.56	19.51
OMV Petrom Global Solutions S.R.L.	Financial, IT and other services	42.26	16.82
OMV Exploration & Production GmbH	Delegation of personnel and other	15.13	3.92
EconGas Hungária			
Földgázkereskedelmi Kft.	Acquisition of gas	14.55	12.62
OMV Hungária Ásványolaj Korlátolt Felelősségű Társaság			
EconGas GmbH	Acquisition of petroleum products	5.41	-
OMV Aktiengesellschaft	Acquisition of gas	2.12	-
Congaz S.A.	Delegation of personnel and other	1.83	0.13
Petrom Nadlac S.R.L.	Various services	0.80	-
Borealis AG	Various services	0.79	-
OMV - International Services GmbH	Various services	0.41	0.05
Petrol Ofisi A.Ş.	Financial services	0.40	25.86
OMV International Oil & Gas GmbH	Acquisition of petroleum products	0.30	-
OMV Solutions GmbH	Delegation of personnel and other	0.24	0.26
OMV Gas & Power GmbH	Delegation of personnel and other	0.19	0.01
OMV Power International GmbH	Various services	0.08	0.06
	Delegation of personnel and other	0.03	-
Total subsidiaries		287.10	79.24
Total OMV Petrom Group		930.43	266.70

	Nature of transactions	Revenues	Balances receivable
OMV Petrom S.A. - parent company			
OMV Supply & Trading AG	Sales of petroleum products	1,569.66	3.46
OMV Deutschland GmbH	Sales of propylene	193.11	20.65
OMV Solutions GmbH	Financial, IT and other services	43.35	-
OMV Trading GmbH	Services and other	32.22	0.27
OMV Exploration & Production GmbH	Delegation of personnel and other	21.34	3.15
OMV Refining & Marketing GmbH	Delegation of personnel and other	21.22	2.60
OMV Aktiengesellschaft	Delegation of personnel and other	17.36	3.61
OMV Petrom Global Solutions S.R.L.	Various services*	15.54	4.99
Borealis AG	Sales of petrochemicals	11.72	-
OMV Gas & Power GmbH	Delegation of personnel and other	0.87	0.18
Trans Gas LPG Services S.R.L.	Various services	0.06	0.04
Petrol Ofisi A.Ş.	Sales of petroleum products	0.02	0.04
Petrom Nadlac S.R.L.	Various services	0.01	0.01
Total OMV Petrom S.A.		1,926.48	39.00

*) does not include transfer of business that is disclosed separately in Note 31d).

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29. RELATED PARTIES (continued)

	Nature of transaction	Revenues	Balances receivable
OMV Petrom Group subsidiaries			
OMV Refining & Marketing GmbH	Delegation of personnel and other	4.22	0.33
OMV - International Services GmbH	Other services	3.50	14.28
OMV Exploration & Production GmbH	Delegation of personnel and other	1.32	0.49
OMV Aktiengesellschaft	Delegation of personnel and other	1.09	0.20
OMV Petrom Global Solutions S.R.L.	Various services	0.59	-
Borealis AG	Various services	0.21	-
Trans Gas LPG Services S.R.L.	Various services	0.02	-
Total subsidiaries		10.95	15.30
Total OMV Petrom Group		1,937.43	54.30

During 2014, OMV Petrom Group had the following interest income and interest expenses with related parties (including balances as of December 31, 2014 related to interest payable and interest receivable).

	Interest expense	Balances payable
OMV Petrom S.A. - parent company		
OMV Petrom Global Solutions S.R.L.	1.25	0.06
Total OMV Petrom S.A.	1.25	0.06
Total OMV Petrom Group	1.25	0.06

	Interest income	Balances receivable
OMV Petrom S.A. - parent company		
OMV Supply & Trading AG	1.21	-
OMV Petrom Global Solutions S.R.L.	0.13	-
Total OMV Petrom S.A.	1.34	-
Total OMV Petrom Group	1.34	-

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29. RELATED PARTIES (continued)

During 2013, OMV Petrom Group had the following transactions with related parties (including balances as of December 31, 2013):

	Nature of transaction	Purchases	Balances payable
OMV Petrom S.A. - parent company			
OMV Refining & Marketing GmbH	Acquisition of petroleum products	512.53	39.69
OMV Exploration & Production GmbH	Delegation of personnel and other	110.43	45.51
OMV Solutions GmbH	Delegation of personnel and other	52.76	10.31
OMV Aktiengesellschaft	Delegation of personnel and other	35.60	5.51
OMV Trading GmbH	Acquisition of electricity and other	31.74	21.70
OMV Supply & Trading AG	Acquisition of petroleum products	30.76	1.03
OMV International Oil & Gas GmbH	Delegation of personnel and other	21.42	0.25
OMV Hungária Ásványolaj Korlátolt Felelősségű Társaság	Acquisition of bitumen	3.79	-
OMV Power International GmbH	Delegation of personnel and other	2.95	2.82
OMV Gas & Power GmbH	Delegation of personnel and other	1.27	0.12
Total OMV Petrom S.A.		803.25	126.94
	Nature of transaction	Purchases	Balances payable
OMV Petrom Group subsidiaries			
OMV Refining & Marketing GmbH	Acquisition of petroleum products	225.40	31.64
OMV Exploration & Production GmbH	Delegation of personnel	13.47	8.46
OMV Hungária Ásványolaj Korlátolt Felelősségű Társaság	Acquisition of petroleum products	12.51	0.60
OMV - International Services GmbH	Financial services	2.84	31.73
Petrol Ofisi A.Ş.	Acquisition of petroleum products	1.17	0.05
OMV Aktiengesellschaft	Delegation of personnel and other	0.18	0.12
OMV Power International GmbH	Delegation of personnel and other	0.13	0.13
OMV Solutions GmbH	Delegation of personnel and other	0.03	-
Petrom Nadlac S.R.L.	Various services	-	0.27
OMV Gas & Power GmbH	Various services	-	0.06
Total subsidiaries		255.73	73.06
Total OMV Petrom Group		1,058.98	200.00

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29. RELATED PARTIES (continued)

	Nature of transaction	Revenues	Balances receivable
OMV Petrom S.A. - parent company			
OMV Supply & Trading AG	Sales of petroleum products	1,905.88	60.10
OMV Deutschland GmbH	Sales of propylene	313.64	47.03
OMV Solutions GmbH	Financial, IT and other services	59.03	12.42
OMV Exploration & Production GmbH	Delegation of personnel and other	9.27	2.88
OMV Refining & Marketing GmbH	Delegation of personnel and other	7.89	0.67
OMV Aktiengesellschaft	Delegation of personnel and other	3.54	3.12
OMV Trading GmbH	Services and other	2.68	0.27
OMV Hungária Ásványolaj Korlátolt Felelősségű Társaság	Sales of petroleum products	0.31	-
OMV Gas & Power GmbH	Delegation of personnel and other	0.06	0.06
OMV (Pakistan) Exploration GmbH	Various services	0.01	-
SC Solar Jiu S.R.L.	Various services	-	0.01
Total OMV Petrom S.A.		2,302.31	126.56
	Nature of transaction	Revenues	Balances receivable
OMV Petrom Group subsidiaries			
OMV Refining & Marketing GmbH	Delegation of personnel and other	5.72	0.70
OMV - International Services GmbH	Other services	3.07	14.54
OMV Aktiengesellschaft	Delegation of personnel and other	2.20	0.07
OMV Exploration & Production GmbH	Delegation of personnel and other	0.05	0.05
Trans Gas LPG Services S.R.L.	Various services	0.01	-
Total subsidiaries		11.05	15.36
Total OMV Petrom Group		2,313.36	141.92

During 2013, OMV Petrom Group had no interest income and interest expenses with related parties (including balances as of December 31, 2013 related to interest payable and interest receivable).

Loan to OMV Petrom Global Solutions S.R.L.

A loan agreement with maturity on June 15, 2019 was signed between OMV Petrom S.A. and OMV Petrom Global Solutions S.R.L. for a maximum limit of RON 27.00 million. There are no outstanding amounts under this facility as at December 31, 2014. Relationship with OMV Petrom Global Solutions S.R.L. also comprises the cash pooling during 2014, included in Note 15c).

Loan to Petrom Nadlac S.R.L.

During 2014, OMV Petrom S.A. granted an intercompany loan to Petrom Nadlac S.R.L. with the maximum limit of RON 1.70 million, having maturity on April 30, 2019. The outstanding amount as at December 31, 2014 was RON 1.50 million.

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29. RELATED PARTIES (continued)

Ultimate parent

As disclosed in Note 1, OMV Petrom S.A.'s major shareholder is OMV Aktiengesellschaft, being the ultimate parent of the Group and it is based in Austria. The majority of OMV Aktiengesellschaft shares are held by Österreichische Industrieholding AG (ÖIAG – 31.5%) and International Petroleum Investment Company (IPIC, Abu Dhabi – 24.9%).

Key management remuneration

Each member of the Supervisory Board is entitled to receive a net amount of EUR 20,000 per year as remuneration for its service for the year ended December 31, 2014 (2013: same amount).

At December 31, 2014 and 2013 there are no loans or advances granted by the Group to the members of the Supervisory Board.

As at December 31, 2014 and 2013, the Group does not have any obligations regarding pension payments to former members of the Supervisory Board.

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30. DIRECT AND INDIRECT INVESTMENTS OF OMV PETROM GROUP WITH AN INTEREST OF AT LEAST 20% AS OF DECEMBER 31, 2014

Company Name	Share interest percentage	Consolidation treatment*	Activity	Country of incorporation
Subsidiaries (>50%)				
Tasbulat Oil Corporation LLP	100.00%	FC	Oil exploration and production in Kazakhstan	Kazakhstan
ICS Petrom Moldova S.A.	100.00%	FC	Fuel distribution	Moldova
OMV Petrom Marketing S.R.L.	100.00%	FC	Fuel distribution	Romania
Tasbulat Oil Corporation BVI	100.00%	NC	Holding company	British Virgin Islands
OMV Petrom Wind Power S.R.L.	99.99%	FC	Wind power production	Romania
OMV Petrom Gas S.R.L.	99.99%	FC	Gas distribution	Romania
Petromed Solutions S.R.L.	99.99%	FC	Medical services	Romania
OMV Petrom Aviation S.A.	99.99%	FC	Airport sales services	Romania
OMV Bulgaria OOD	99.90%	FC	Fuel distribution	Bulgaria
OMV Srbija DOO	99.96%	FC	Fuel distribution	Serbia
Petrom Nadlac S.R.L.	98.51%	NC	Fuel distribution	Romania
Kom Munai LLP	95.00%	FC	Oil exploration and production in Kazakhstan	Kazakhstan
Petrochemicals Arges S.R.L.	95.00%	NC	Refining petrochemicals products	Romania
Trans Gas LPG Services S.R.L.	80.00%	NC	LPG transportation related services	Romania
Petrom Exploration & Production Limited	50.00%	FC	Exploration and production services	Isle of Man
OMV Petrom Ukraine E&P Gmbh	100.00%	FC	Oil and gas exploration in Ukraine	Austria
OMV Petrom Ukraine Finance Services Gmbh	100.00%	FC	Other services	Austria
Associated companies (20-50%)				
Franciza Petrom 2001 S.A.	40.00%	NAE	Fuel distribution	Romania
Brazi Oil & Anghelescu Prod Com S.R.L.	37.70%	NAE	Fuel distribution	Romania
Fontegas Peco Mehedinti S.A.	37.40%	NAE	Fuel distribution	Romania
OMV Petrom Global Solutions S.R.L.	25.00%	EM	Financial, IT and other services	Romania
Asociatia Romana pentru Relatia cu Investitorii	20.00%	NAE	Public representation	Romania

*¹) Consolidation treatment:

FC Full consolidation

EM Accounted for at equity (associated company)

NC Not – consolidated subsidiary (companies of relative insignificance, both individually and collectively, to the consolidated financial statements)

NAE Other investment recognized at cost (associated companies of relatively little importance to the assets and earnings of the consolidated financial statements).

Non-consolidated subsidiary Solar Jiu S.R.L. was deregistered during 2014.

The subsidiaries which are not consolidated have very low volumes of business; the total sales, net income/losses and equity of such companies represent less than 1% of the consolidated totals.

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31. CASH FLOW STATEMENT INFORMATION

a) Drawings and repayments of borrowings

During 2014 OMV Petrom Group has drawn borrowings amounting to RON 604.36 million (2013: RON 0.63 million) and has repaid borrowings amounting to RON 179.17 million (2013: RON 825.73 million) and finance lease obligations amounting to RON 27.70 million (2013: RON 12.24 million).

b) Investments and other financial assets

During 2014 OMV Petrom Group did not acquire any subsidiary. However, a new associated entity, OMV Petrom Global Solutions S.R.L., was set-up in 2014, in which OMV Petrom S.A. holds 25% interest, generating cash out flow amounting to RON 45.24 million. OMV Petrom Global Solutions S.R.L. is a service center which provides multiple support services exclusively to OMV Group companies. The entity is accounted for at equity in the Group's consolidated financial statements and the Group's share in 2014 results is presented in Note 8.

During 2014 OMV Petrom paid in cash an amount of RON 0.12 million for the increase of share capital of OMV Petrom Ukraine Finance Services GmbH. At OMV Petrom Group level, there is no net cash out impact from this transaction.

During 2014 OMV Petrom paid in cash an amount of RON 0.04 million for the increase of share capital of Solar Jiu S.R.L., before disposal.

During 2013 OMV Petrom Group acquired from OMV Exploration & Production GmbH a percentage of 100% in two new companies: OMV Petrom Ukraine E&P GmbH and OMV Petrom Ukraine Finance Services GmbH. OMV Petrom paid a total amount of RON 198.36 million (equivalent of EUR 44.52 million), which represents exactly the cash owned by these companies at the moment of acquisition. Therefore, at OMV Petrom Group level there is no net cash out impact from these acquisitions.

During 2013 OMV Petrom paid in cash an amount of RON 0.10 million for the share capital of Solar Jiu S.R.L., not consolidated subsidiary.

c) Disposal of Group companies

Associates

On July 31, 2014 OMV Petrom sold its 28.59% interest in the non-core gas distribution and supply company Congaz S.A. to GDF SUEZ Energy Romania S.A.

OMV Petrom's share in net assets of disposed associate at the date of disposal

	December 31, 2014	December 31, 2013
Non-current assets	50.57	-
Current assets	15.90	-
Current liabilities	(20.69)	-
Share in net assets disposed of	45.78	-
Gain / (Loss) on disposal of associate		
	December 31, 2014	December 31, 2013
Share of proceeds on disposal of associate	43.52	-
Share of net assets disposed of	(45.78)	-
Loss on disposal of associate	(2.26)	-

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31. CASH FLOW STATEMENT INFORMATION (continued)

Net cash flow from sale of associate

	December 31, 2014	December 31, 2013
Net consideration received	43.52	-
Net cash inflow on disposal of associate	43.52	-

Subsidiaries

During 2014, OMV Petrom Group did not dispose of any fully consolidated subsidiary. The Group deregistered Solar Jiu S.R.L., non-consolidated subsidiary, thus generating a loss from disposal in amount of RON 0.14 million.

During 2014, OMV Petrom also collected the remaining amount of RON 15.99 million related to the sale of Petrom Distributie Gaze in 2013.

During 2013, OMV Petrom Group disposed of two subsidiaries: Petrom LPG S.A. from R&M segment and Petrom Distributie Gaze S.R.L. from G&P segment.

Net assets of disposed subsidiaries at the date of disposal

	December 31, 2014	December 31, 2013
Non-current assets		
Intangible assets	-	1.27
Property, plant and equipment	-	69.11
Current assets		
Inventories	-	21.99
Trade receivables	-	42.85
Other financial assets short term	-	39.56
Other assets short term	-	1.35
Cash and cash equivalents	-	36.48
Deferred tax asset	-	12.25
Liabilities		
Provisions for pensions and similar obligations long term	-	(7.70)
Other financial liabilities long term	-	(49.07)
Trade payables	-	(34.31)
Deferred tax liabilities	-	(3.46)
Current income tax payable	-	(0.09)
Other provisions and decommissioning short term	-	(1.90)
Other liabilities short term	-	(11.38)
Net assets disposed of	-	116.95

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31. CASH FLOW STATEMENT INFORMATION (continued)

Gain / (Loss) on disposal of subsidiaries

	December 31, 2014	December 31, 2013
Proceeds on disposal of subsidiaries	-	116.02
Net assets disposed of	-	(116.95)
Loss on disposal of subsidiaries	-	(0.93)

Net cash flow on disposal of subsidiaries

	December 31, 2014	December 31, 2013
Net consideration received in cash and cash equivalents	-	100.04
Less cash and cash equivalents balances disposed of	-	(36.48)
Net cash inflow on disposal of subsidiaries	-	63.56
Less cash advance received in 2012 for Petrom LPG S.A.	-	(9.82)
Plus encashment for 2013 sale of Petrom Distribuție Gaze S.R.L.	15.99	-
Net cash inflow on disposal of subsidiaries	15.99	53.74

d) Transfer of business

In July 2014, OMV Petrom transferred its business related to IT and financial service center to the newly incorporated associated company OMV Petrom Global Solutions S.R.L..

Net assets at the date of transfer

	December 31, 2014	December 31, 2013
Intangible assets and property, plant and equipment	122.42	-
Prepayments	21.85	-
Other current assets	0.41	-
Provisions	(30.92)	-
Other non-current liabilities	(0.74)	-
Current liabilities	(9.78)	-
Net assets	103.24	-

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31. CASH FLOW STATEMENT INFORMATION (continued)

Gain / (Loss) on transfer of business

	December 31, 2014	December 31, 2013
Proceeds on transfer of business	173.36	-
Unrecognized gain from transfer of business	(17.53)	
Net assets disposed of	(103.24)	-
Gain on transfer of business	52.59	-

Net cash flow from transfer of business

	December 31, 2014	December 31, 2013
Net consideration received	173.36	-
Net cash inflow on transfer of business	173.36	-

e) Exploration cash-flows

The amount of cash outflows in relation to exploration activities incurred by OMV Petrom Group for the year ended December 31, 2014 is of RON 1,018.02 million (2013: RON 416.20 million), out of which the amount of RON 102.22 million is related to operating activities (2013: RON 313.13 million) and the amount of RON 915.80 million represents cash outflows for exploration investing activities (2013: RON 103.07 million).

32. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Estimates of fair value at year end date, discussed below, are normally based on the market information available. The fair value of other financial assets and securities and investments is calculated primarily on the basis of quoted market prices. Where no quoted price and no present value can be established, the determination of a fair value is not feasible.

The book values of accounts receivable and other assets and cash in hand, checks and cash at bank are reasonable estimates of their fair values, as the assets in question generally have maturities of less than one year.

The fair value of financial liabilities, for which market prices are not available, was established by discounting future cash flows using the interest rates prevailing at year end date for similar liabilities with like maturities (level 2 hierarchy).

The carrying values of tax provisions and other current provisions is the same as their fair value. The fair value of non-current provisions is not considered to differ materially from their carrying value.

The carrying value of other liabilities is effectively the same as their fair value, because they are predominantly short-term. The fair value of derivative financial instruments corresponds to their market value.

The following overview presents the measurement of financial instruments (assets and liabilities) recognized at fair value.

In accordance with IFRS 13, the individual levels are defined as follows:

Level 1: Using quoted prices in active markets for identical assets or liabilities.

Level 2: Using inputs for the asset or liability, other than quoted prices, that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Using inputs for the asset or liability that are not based on observable market data such as prices, but on internal models or other valuation methods.

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32. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

Fair value hierarchy for derivative instruments as at December 31, 2014

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Derivatives designated and effective as hedging instruments	-	-	-	-
Other derivatives (net asset)	-	3.24	-	3.24
Total	-	3.24	-	3.24

Fair value hierarchy for derivative instruments as at December 31, 2013

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Derivatives designated and effective as hedging instruments	-	-	-	-
Other derivatives (net asset)	-	3.26	-	3.26
Total	-	3.26	-	3.26

The financial liabilities whose fair values differ from their carrying amounts as at December 31, 2014 and December 31, 2013 (Level 2 – observable inputs), as well as the respective differences are presented in the table below:

December 31, 2014

Financial liabilities	<u>Fair value</u>	<u>Carrying amount</u>	<u>Difference</u>
Interest-bearing debts	1,826.83	1,862.63	(35.80)
Finance lease liabilities	295.50	295.75	(0.25)
Total	2,122.33	2,158.38	(36.05)

December 31, 2013

Financial liabilities	<u>Fair value</u>	<u>Carrying amount</u>	<u>Difference</u>
Interest-bearing debts	1,411.13	1,442.77	(31.64)
Finance lease liabilities	310.89	297.74	13.15
Total	1,722.02	1,740.51	(18.49)

The fair value of these financial liabilities was determined by discounting future cash flows using interest rates prevailing at reporting date for similar liabilities with similar maturities.

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33. COMMITMENTS AND CONTINGENCIES

Commitments

As at December 31, 2014 the total commitments engaged by OMV Petrom Group for investments is of RON 1,412.32 million (2013: RON 1,088.31 million), out of which RON 1,284.50 million related to property, plant and equipment (2013: RON 1,027.92 million) and RON 127.82 million for intangible assets (2013: RON 60.39 million). The Group has additional commitments in relation to joint arrangements. For details please refer to Note 34.

Litigations

OMV Petrom Group provides for litigations that are likely to result in obligations. Management is of the opinion that litigations, to the extent not covered by provisions or insurance, will not materially affect OMV Petrom Group's financial position. The production facilities and properties of all Group companies are subject to a variety of environmental protection laws and regulations in the countries where they operate; provisions are made for probable obligations arising from environmental protection measures. The management believes that compliance with current laws and regulations, and future more stringent laws and regulations, will not have a material negative impact on consolidated results.

Contingent liabilities

OMV Petrom Group has contingent liabilities representing performance guarantees in amount of RON 25.23 million as at December 31, 2014 (2013: RON 28.70 million).

34. INTERESTS IN JOINT ARRANGEMENTS

OMV Petrom S.A. entered into a farm out arrangement with ExxonMobil Exploration and Production Romania Limited ("Exxon") with the purpose to explore and develop the Neptun Deepwater block in Black Sea and has a participating interest of 50%. Starting August 2011, ExxonMobil has been appointed as operator (previously OMV Petrom S.A. was operator).

OMV Petrom S.A. entered into a farm out arrangement with Hunt Oil Company of Romania S.R.L. ("Hunt") with the purpose to explore and develop Adjud and Urziceni East onshore blocks and has a participating interest of 50%. Starting October 2013, Hunt has been appointed as operator (previously OMV Petrom S.A. was operator).

In 2013 OMV Petrom S.A. entered into four farm out arrangements with Repsol with the purpose to explore and develop four onshore blocks (Băicoi V, Târgoviște VI, Pitești XII and Târgu Jiu XIII) for the area deeper than 2,500-3,000 m and has a participating interest of 51%. OMV Petrom S.A. has been appointed operator.

In 2012 OMV Petrom S.A. signed a transfer agreement with ExxonMobil, Sterling Resources Ltd. and Petro Ventures Europe B.V. for the purchase of hydrocarbon exploration and production rights to the deep water portion of the XV Midia Block ("Midia Deep"). Following completion of the transfer agreement in 2014, the participating interests in Midia Deep are: ExxonMobil 42.5%, OMV Petrom 42.5%, and Gas Plus 15% and ExxonMobil will be the operator of petroleum operations.

Joint activities described above are classified as joint operations according with IFRS 11.

OMV Petrom's share of the aggregate capital commitments for these joint arrangements as at December 31, 2014 is amounting RON 235.11 million (2013: RON 541.59 million), mainly in relation to off-shore drilling requirements.

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35. RISK MANAGEMENT

Capital risk management

OMV Petrom Group continuously manages its capital adequacy to ensure that its entities will be optimally capitalized in balance with their risks exposure in order to maximize the return to stakeholders. The capital structure of OMV Petrom Group consists of equity attributable to equity holders of the parent (comprising share capital, reserves and revenue reserves as disclosed in the "Consolidated Statement of Changes in Equity") and debt (which includes the short and long term borrowings disclosed in Note 15). Capital risk management at OMV Petrom Group is part of the value management and it is based on permanent review of the gearing ratio of the group.

The gearing ratio of OMV Petrom Group calculated as $\text{net debt} / (\text{equity}) * 100$ was 3% as at December 31, 2014 (December 31, 2013: 1%) showing an increasing exposure to leverage risk. Net debt is calculated as interest-bearing debts including financial lease liability, less cash and cash equivalents.

OMV Petrom Group's management reviews the capital structure as well as group risk reports regularly. As part of this review, the cost of capital and the risks associated with each class of capital are being considered.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 4 to the financial statements.

Financial risk management objectives and policies

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

Risk Management function reports twice per year to OMV Petrom Executive Board and Supervisory Board's Audit Committee an overview of OMV Petrom Group's risk profile for midterm horizon, as well as the risk management activities and initiatives undergone for mitigating the Group's risk exposures.

Risk exposures and responses

OMV Petrom Risk Management function performs a central coordination of an Enterprise Wide Risk Management (EWRM) process in which it actively pursues the identification, analysis, evaluation and treatment of significant risks (market and financial, operational and strategic) in order to minimize their effects on cash flows up to an acceptable level agreed as the risk appetite.

Risk Management function monitors and manages all significant risks of OMV Petrom Group companies through an integrated process in line with ISO 31000 EWRM standard, by internal risk reports and regular assessments which analyze all significant risk exposures and their cash flow magnitude in comparison with the risk appetite.

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

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35. RISK MANAGEMENT (continued)

Response wise, any risk which increases near to its significance level or which is sensitive to the risk appetite level and it rapidly develops is monitored and alert is issued. For these situations individual and case specific treatment plans are proposed, approved and implemented immediately in order to decrease the exposures down to acceptable levels.

Commodity Market Price Risk

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

Financial instruments may be used where appropriate to hedge the main industry risks associated with price volatility such as the highly negative impact of low oil prices on cash flow. In 2014 no financial instruments were used for commodity hedging.

Foreign exchange risk management

Because OMV Petrom Group operates in many countries and currencies, industry specific activities and the corresponding exchange risks are being analyzed. OMV Petrom Group is mostly exposed to the movement of the US dollar and Euro against Romanian Leu. Other currencies have only limited impact on cash flow and EBIT.

Foreign currency sensitivity analysis

The carrying amounts of foreign currency denominated monetary assets and liabilities of OMV Petrom Group companies at the reporting date are as follows:

	Assets		Liabilities	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Thousand USD	468,260	616,894	129,219	26,720
Thousand EUR	92,087	155,397	437,717	440,822

Translation risk arises on the consolidation of subsidiaries preparing their financial statements in other currencies than in Romanian lei but also from the consolidation of assets and liabilities naturally denominated in foreign currency. Foreign currency assets and liabilities are those which result from transactions denominated in other currencies than the functional currencies of OMV Petrom Group companies. The largest exposures result from changes in the value of the US dollar and Euro against the Romanian lei.

The following table details OMV Petrom Group's sensitivity to a 10% increase and decrease in the USD and EUR against the relevant foreign currencies. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 10% change in foreign currency rates. A positive number below indicates an increase in total comprehensive income generated by a 10% currency fluctuation and a negative number below indicates a decrease in total comprehensive income with the same value.

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35. RISK MANAGEMENT (continued)

+10% increase in the foreign currencies rates

	<u>Thousand USD Impact (i)</u>		<u>Thousand EUR Impact (ii)</u>	
	2014	2013	2014	2013
Profit/ (Loss)	6,841	42,379	(34,563)	(28,543)
Other comprehensive income	27,063	16,638	-	-

-10% decrease in the foreign currencies rates

	<u>Thousand USD Impact (i)</u>		<u>Thousand EUR Impact (ii)</u>	
	2014	2013	2014	2013
Profit/ (Loss)	(6,841)	(42,379)	34,563	28,543
Other comprehensive income	(27,063)	(16,638)	-	-

(i) This is mainly attributable to the exposure on USD loans (partially reimbursed during the year) and to increased USD liabilities in connection with investment activities.

(ii) This is mainly attributable to the exposure on EUR loans at year end.

The above sensitivity analysis of the inherent foreign exchange risk shows the translation exposure at the end of the year; however the cash flow exposure during the year is continuously monitored and managed by OMV Petrom Group.

Interest rate risk management

To facilitate management of interest rate risk, OMV Petrom Group's liabilities are analyzed in terms of fixed and variable rate borrowings, currencies and maturities.

The sensitivity analyses below have been determined based on the exposure to interest rates for borrowings at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A 1% increase or decrease represents management's assessment of the reasonably possible change in interest rates (with all other variables held constant).

Analysis for change in interest rate risk

Variable rate borrowings:	<u>Balance as at</u>		<u>Effect of 1% change in interest rate</u>	
	<u>December 31, 2014</u>	<u>December 31, 2013</u>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Short term borrowings	263.15	181.12	2.63	1.81
Long term borrowings	1,604.91	1,262.51	16.05	12.63

In 2014, the internal risk analysis resulted in no need for hedging the interest rate risk, hence no financial instruments were used for interest rate hedging.

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35. RISK MANAGEMENT (continued)

Counterparty Credit Risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to OMV Petrom Group. The main counterparty credit risks are assessed, monitored and managed at OMV Petrom Group level using predetermined limits for specific countries, banks and business partners. On the basis of creditworthiness, all counterparties are assigned maximum permitted exposures in terms of credit limits (amounts and maturities), and the creditworthiness assessments and granted limits are reviewed on a regular basis. For all counterparties depending on their liquidity class, parts of their credit limits is secured via liquid contractual securities such as bank guarantee letters, credit insurance and other similar instruments. The credit limit monitoring procedures are governed by strict guidelines.

OMV Petrom Group does not have any significant credit risk concentration exposure to any single counterparty or any group of counterparties having similar characteristics. OMV Petrom Group defines counterparties as having similar characteristics if they are related entities.

Liquidity risk management

For the purpose of assessing liquidity risk, budgeted operating and financial cash inflows and outflows throughout OMV Petrom Group are monitored and analyzed on a monthly basis in order to establish the expected net change in liquidity. This analysis provides the basis for financing decisions and capital commitments. To ensure that OMV Petrom Group remains solvent at all the times and retains the necessary financial flexibility, liquidity reserves in form of committed credit lines are maintained. The maturity profile of the Group financial liabilities is presented in Note 16.

36. SUBSEQUENT EVENTS

There are no significant events subsequent to the reporting date.

These financial statements, presented from page 3 to page 71, comprising the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements, were approved on March 24, 2015.



Mrs. Mariana Gheorghe
Chief Executive Officer



Mr. Andreas Matje
Chief Financial Officer



Mr. Gabriel Selischi
E.B. Member Exploration & Production



Mr. Cristian Secoșan
E.B. Member Gas & Power



Mr. Neil Morgan
E.B. Member Refining & Marketing



Mrs. Alina Popa
Director Finance Department



Mr. Eduard Petrescu
Head of Financial Reporting