

OMV PETROM

Annual Report 2014

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

Market share in Marketing includes retail and commercial sales and excludes sales to oil companies.

At a glance

Operational results	2012	2013	2014
Total hydrocarbon production (mn boe)	66.87	66.64	65.82
Gas sales volumes (TWh) ¹	52.2	52.7	47.7
Net electrical output (TWh) ²	1.7	2.9	1.3
Petrobrazil refinery capacity utilization rate (%)	73	90	89
Total refined product sales (mn t)	5.00	5.22	4.81
Number of filling stations	798	785	780
Number of employees at the end of period	21,650	19,619	16,948

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

² It includes the net electrical output generated by the Brazil power plant during commissioning phase; the plant commenced commercial operations on August 1, 2012.

Financial results	2012	2013	2014
Sales (RON mn)	26,258	24,185	21,541
EBIT (RON mn)	5,662	5,958	3,338
Net income attributable to stockholders (RON mn)	3,953	4,821	2,103
Clean CCS EBIT (RON mn) ¹	5,855	6,015	5,202
Clean CCS net income attributable to stockholders (RON mn) ¹	4,307	4,869	3,764
Cash flow from operating activities (RON mn)	7,185	8,048	6,830
Capital expenditure (RON mn)	4,930	5,303	6,239
EPS (RON)	0.0698	0.0851	0.0371
ROACE (%)	16.5	19.0	7.6
Clean CCS ROACE (%)	18.0	19.2	13.6

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

1. Company

1.1. Highlights 2014

January

On **January 29**, ExxonMobil Exploration and Production Romania Limited (EMEPRL), OMV Petrom and Gas Plus International B.V. announced that the Transfer Agreement signed in October 2012 between EMEPRL and OMV Petrom, and 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 became effective.

March

On **March 26**, OMV Petrom announced the consolidation of multiple support services into the service center OMV Petrom Global Solutions S.R.L. (OPGS), owned by OMV Petrom and OMV Solutions GmbH. OPGS provides services to the OMV Petrom and OMV Groups in several countries where the groups operate.

April

On **April 2**, OMV Petrom announced having completed modernization of the fuels terminal in Bacău, part of the storage infrastructure modernization program to build three new terminals and modernize another three.

On **April 29**, the Ordinary General Meeting of Shareholders took place. For details, please refer to page 23, section General Meeting of Shareholders.

July

On **July 16**, OMV Petrom announced the success of an exploration well drilled in Istria XVIII offshore Perimeter (shallow water). The Marina 1 well encountered a new oil reservoir on the continental shelf of the Black Sea.

On **July 21**, EMEPRL and OMV Petrom announced the start of drilling at the Domino-2 well in the deepwater sector of the Neptun Block offshore Romania in the Black Sea.

On **July 24**, OMV Petrom announced the successful finalization of the Petrobrazi refinery modernization program performed during 2010-2014. Total investment amounted to around EUR 600 mn.

On **July 31**, OMV Petrom announced the sale of its 28.59% interest in the non-core gas distribution and

supply company Congaz S.A. to GDF SUEZ Energy Romania S.A..

October

On **October 27**, EMEPRL and OMV Petrom announced the completion of the Domino-2 well drilling and the start of Pelican South-1 wildcat exploration well drilling on a new prospect in the Neptun Block, about 155 km offshore in the Romanian sector of the Black Sea.

November

On **November 5**, OMV Petrom announced having replaced the conventional lighting systems in 345 Petrom filling stations with a new LED based system (light emitting diode), following a EUR 2.1 mn investment.

On **November 13**, OMV Petrom announced the implementation of the redevelopment project of Tazlău oil field, located in the Northeastern part of Romania, in Bacău County, with envisaged investments of around EUR 30 mn during 2014 – 2015.

December

On **December 17**, OMV Petrom in partnership with Hunt Oil Company of Romania announced the discovery of a new oil and gas field in the south of Buzău County.

1.2. Statement of the Chief Executive Officer

Dear Shareholders,

In 2014, we celebrated 10 years since OMV Petrom's privatization, one of the largest privatization deals in Romania. The journey has been challenging, but we have achieved the complex and successful transformation of a state-owned company, in what is a strategic sector for Romania's economic growth. OMV Petrom is now a modern, competitive and successful European player and a stable pillar of the Romanian economy. Today, we cover around 40% of Romania's oil, gas and fuel supply and we continue to explore for onshore and offshore resources, in order to ensure our necessary energy needs are met in the future.

Since privatization, the organization has undergone a significant restructuring and modernization program adjusting to changing business needs, strengthening the management and its people. From a traditional state-owned company, facing challenges such as underinvestment, obsolete assets, inefficiency, bureaucracy and debts, we have transformed to become a sustainable and high performance company, relevant for Romania and the region. OMV Petrom is now prepared for the next phase of its development, concentrating on integration and performance improvement.

Alongside our continued focus on commercial and financial performance, we concentrate on operational synergies and social responsibility. There has been an enormous amount of change, to get the best out of our assets, focus on our core business, align ourselves with best practices and industry trends and be leaders in the way we develop our people. The post privatization process has required a huge investment effort, totaling more than EUR 11 bn. In 2014 alone, we invested around EUR 1.4 bn, the largest level in the last 6 years, while maintaining our strong financial position, ending the year with an almost unleveraged capital structure. Most of our CAPEX was directed to E&P, including both onshore and offshore exploration activity, for which we earmarked the largest budget since privatization.

Through the use of state-of-the-art technology and partnerships with international companies we have stabilized our domestic hydrocarbon production. Moreover, we have diversified our business portfolio and entered the electricity market. Our investments in the Petrobrazi refinery modernization program, as well as in the Brazi project, the first private greenfield power plant in Romania, strengthen our promise to supply energy for Romania for the years to come.

We have also made OMV Petrom a better place to work. Across the organization, the transformation of OMV Petrom's safety culture and its commitment towards people development and engagement has helped turn the company into a leading employer and role model.

We could not have achieved these results without a stable business environment in Romania, especially for the oil and gas sector which has a long investment cycle. Moreover, the engagement of stakeholders was essential in this endeavor, including the support of our shareholders, which has enabled our company to unlock its potential.

The business environment in the second half of 2014 saw the oil price rapidly decline, reflecting the upward trend in global supply which outpaced demand. From its peak in July, the oil price halved by year-end, which has led to an industry-wide shift in focus towards operational and organizational efficiencies.

The refining margins significantly improved in the second half of the year while the gas and power markets were weak in 2014. In recent years, European gas and power markets have been characterized by structural changes like subsidized expansion of renewable power generation capacity and strong utilization of coal-fired power plants, with a negative impact on gas demand as well as on the operating environment of gas-fired power plants. The evolution of CO₂ prices, together with increased focus on energy efficiency and a continuing period without significant economic growth, have exacerbated pressure on energy demand and prices.

In Romania, during the year, macroeconomic stability continued to improve as the financing needs of both current account and budget deficits fell further. The economy grew by an estimated 2.9%, helped by revitalization in domestic private consumption and sustained strength in industrial production. However, investments in the economy continued to shrink in 2014 both in the private and public sectors.

Within this context, our company achieved several important objectives on the operational side, in line with our strategy. Firstly and most importantly, safety across all our operations improved further, evidencing our commitment to apply high standards of health and safety for our own employees as well as contractors'. Combined LTIR employees and contractors decreased to 0.30 from 0.33 in 2013.

Moreover, through energy efficiency initiatives and the optimization of gas pipeline networks, we made good progress in cutting our carbon intensity, achieving a drop of 4.7% in 2014 compared with 2013. In the last ten years, we have reduced hydrocarbon flaring and venting in the upstream operations by around 20%.

In **E&P**, we successfully achieved our target of stabilizing hydrocarbon production. In Romania we achieved the second annual marginal production increase since privatization, while at Group level we broadly compensated the natural decline. We have further implemented our mid-term strategic initiative to continue the exploration of the Neptun Deep block, and spudded two new wells, Domino-2 which was finalized in Q4/14 and Pelican South-1 which started drilling in October. The results together with data from additional exploration wells will be used for the evaluation of the consolidated block potential.

In **G&P**, the 2014 result was marked by depressed gas demand and stable, but weak electricity prices. OMV Petrom sales dropped by 9%, which reflects the milder winter and reduced off-take by heat and power plants compared to 2013 (including the Brazi power plant). The contribution of the power business was weak, as a result of negative average spark spreads triggered by higher gas prices.

In **R&M**, we finalized the Petrobrazi refinery modernization program, and delivered the USD 5/bbl planned increase in the indicator refining margin versus pre-modernization, contributing to a good end-year result, and strengthened the integration value of the company. In marketing, retail sales volumes were slightly lower, while total marketing sales decreased by 7%. All in all, after many years of difficulties, the R&M segment delivered a solid operating result, with positive contribution from both businesses, in spite of a continuing challenging market environment.

For 2015, we are scaling back our investment plans and have intensified cost optimization programs across all business segments to be prepared for volatile and potentially prolonged weaker market fundamentals, whilst maintaining our potential growth projects in the Black Sea. Moreover, we will continue our operational excellence initiatives focusing on efficiency, also taking into account the market operating environment. Also this year, we expect public consultations with respect to upstream oil and gas taxation envisaged to be applicable starting 2016, as publicly announced by the authorities. Our aim remains to achieve a long term, stable and investment-friendly taxation and regulatory framework, a key precondition for future investments.

After ten years of profound transformation and a good track record in achieving our strategic goals, I believe OMV Petrom has a strong foundation to cope with the current market downturn. The turbulent market conditions experienced since mid-2014 have continued in early 2015, and we have taken decisive actions to better control our investments and costs. These measures are expected to support our efforts to maximise the integrated value of our company, to continue business optimisation and allow us to position ourselves for future growth.

Mariana Gheorghe



1.3. Members of the Executive Board

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

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

The Executive Board's current mandate started in April 2011 and runs until April 2015. The Executive Board has the following structure as of the date of this report:

Mariana Gheorghe (1956)

Chief Executive Officer and President of the Executive Board, responsible for: Corporate Affairs and Compliance; Communications and Sustainability; Legal; Strategy, Corporate Development and Investor Relations; Health, Safety, Security and Environment; Human Resources; Operational Procurement; Regulatory and Corporate Public Affairs

Mariana Gheorghe graduated from the Academy of Economic Studies, International Relations in 1979, the University of Bucharest, Law School in 1989 and London Business School, Corporate Finance in 1995. She worked for various Romanian companies and for the Ministry of Finance. Between 1993 and June 2006, she worked for the European Bank for Reconstruction and Development (EBRD) in London where she held various banking positions with a geographical focus on Southeastern Europe and the Caucasus Region, her last position being Senior Banker. After Petrom's privatization in 2004 and following the EBRD's proposal, she became a member of the Board of Directors of Petrom until June 15, 2006, when she was appointed as Chief Executive Officer of Petrom. As of April 17, 2007, following the adoption of the two-tier management system, she is also the President of the Executive Board.

Andreas Matje (1964)

Chief Financial Officer, responsible for: Corporate Finance; Corporate Controlling; Internal Audit

Andreas Matje studied Business Administration at the University of Vienna, specializing in Industrial Management and Marketing. He then followed a doctoral and various management programs, including a Global Executive MBA with Rotman Business School, University of Toronto. Between 1995 and 1999, he was employed with OMV Aktiengesellschaft as division controller upstream. After several years spent on management positions with Polyfelt GmbH (a subsidiary of OMV Aktiengesellschaft until 2005, then known as TenCate Geosynthetics Austria), Andreas Matje rejoined OMV Aktiengesellschaft in 2009 as Senior Vice President Controlling. He joined OMV Petrom on January 1, 2013 as Chief Financial Officer and member of the Executive Board.

Gabriel Selischi (1967)

Responsible for Exploration and Production (E&P)

Gabriel Selischi studied engineering at the Polytechnical Institute of Bucharest. He finished his studies in France, where he also graduated with a master degree in Paris in 1994. He served as Senior Manager at Schlumberger Paris and as Principal at Bossard Gemini Consulting Company in Paris and Johannesburg. He successfully managed the post-acquisition transfer of several offshore oil and gas concessions in Africa while stabilizing production of such assets. He acted as Program Manager for the post-merger business integration of Total in nine countries in the EU.

In 2006, he joined the Petrom E&P division where he served as Head of Strategy, Project and Engineering; during 2011-2013 he was Director of the Domestic Asset Business Unit. Gabriel Selischi was appointed Executive Board member in charge of Exploration and Production starting September 1, 2013.

Neil Anthony Morgan (1959)

Responsible for Refining and Marketing (R&M)

Neil Anthony Morgan graduated in Chemical Engineering from the University of Salford (Manchester, UK). His experience in the Refining and Petrochemicals business spans over 20 years. Before joining Petrom, he worked four years for Petronas Penapisan (Malaysia), where he held the position of Project Director, Refinery Expansion Project. Prior to Petronas, he worked for 12 years for Engen Petroleum (Durban, South Africa). After joining the company in 1992 as a Process Control Specialist, he held several positions during

his tenure there, from Chief Engineer Process Control and Information Technology to Technical Services Manager and Operations Manager. During 1985-1990, he was Production Manager, Operations Manager and Chief Process Engineer in Sentrachem Ltd (Johannesburg, South Africa). He joined Petrom in 2008 and was assigned responsibility for Refining and Petrochemicals. Further to the consolidation of OMV Petrom Group's marketing activities in OMV Petrom Marketing S.R.L., Neil Anthony Morgan, has taken over responsibility for Marketing starting April 17, 2011.

Cristian Secoșan (1967)

Responsible for Gas and Power (G&P)

Cristian Secoșan studied Mechanical Engineering at Polytechnic University in Timisoara and throughout his career held various management positions in multinational companies active in the energy sector in Romania, such as ABB, ALSTOM and E.ON. Prior to joining OMV Petrom, he held the position of General Manager of Siemens in Romania. He joined OMV Petrom in September 2012 as member of the Executive Board, responsible for Gas and Power.

On March 24, 2015, the Supervisory Board appointed the following OMV Petrom Executive Board members for a four year term starting April 17, 2015 until April 17, 2019: Mariana Gheorghe (Chief Executive Officer and President of the Executive Board); Andreas Matje (Chief Financial Officer and Executive Board member); Gabriel Selischi (Executive Board member in charge with the Upstream activity); Neil Anthony Morgan (Executive Board member in charge with the Downstream Oil activity); Lăcrămioara Diaconu-Pințea (Executive Board member in charge with the Downstream Gas activity)¹.

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

¹ On March 24, 2015, the Supervisory Board decided to rename OMV Petrom's business divisions with effect from April 1, 2015 as follows: Exploration and Production division to become Upstream; Refining and Marketing division to become Downstream Oil; Gas and Power division to become Downstream Gas.

1.4. Members of the Supervisory Board

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

Gerhard Roiss (1952) – President

Chief Executive Officer of OMV and Chairman of the OMV Executive Board. He pursued economics studies at Vienna University of Economy, at Johannes-Kepler-University Linz and at U.S. Stanford University, and started to work at OMV in 1990. First elected at the GMS held on January 11, 2005, he has been the President of the Supervisory Board since April 26, 2011.

David C. Davies (1955) – Deputy President

Chief Financial Officer of OMV and Deputy Chairman of the OMV Executive Board. Graduated from Liverpool University and joined OMV in 2002. First elected at the GMS held on January 11, 2005.

Manfred Leitner (1960)

Member of the OMV Executive Board, responsible for Downstream. He studied commerce at the Vienna University of Economics and Business and began his career with OMV in 1985 in the E&P division. First elected at the GMS held on April 26, 2011.

Johann Pleininger (1962)

Senior Vice-President of the Central and Eastern Europe and the Black Sea Region Division within OMV. Johann Pleininger attended the Technical College for Mechanical Engineering and Economics in Vienna; he obtained the International Project Management certificate and graduated in Industrial Engineering. First elected at the GMS held on April 29, 2014.

Christoph Trentini (1968) – interim member

Senior Vice-President and Group controller of OMV. Graduated at the University of Innsbruck, Austria, holding a degree in Business Administration and a Senior Executive Program at Stanford GSB, USA. Christoph Trentini was appointed as interim member of the OMV Petrom Supervisory Board starting January 9, 2015, with effect until the next GMS.

George Băeșu (1970)

President of the National Authority for Property Restitution. He graduated from the Faculty of Law within the Petre Andrei University, sustained his graduation paperwork at the Lucian Blaga University in Sibiu and was awarded the MA Degree in Business Law by the Nicolae Titulescu University. In 2011, he was awarded the PhD Degree in Law by the University of Bucharest. First elected at the GMS held on April 22, 2013.

Lucian-Dan Vlădescu (1973)

He graduated from the Faculty of Law within the University of Bucharest. First elected at the GMS held on April 22, 2013.

Joseph Bernhard Mark Mobius (1936)

Executive Chairman, Templeton Asset Management Ltd. appointed to the OMV Petrom Supervisory Board following the Fondul Proprietatea's proposal. He earned Bachelors and Masters degrees from Boston University, and a PhD in economics and political science from the Massachusetts Institute of Technology. First elected at the GMS held on April 29, 2010.

Riccardo Puliti (1962)

Managing Director in charge of the energy and natural resources sectors at the EBRD. He is an MBA alumnus of Instituto de Estudios Superiores de la Empresa (IESE) and a postgraduate alumnus of the Kennedy School of Government (Harvard University) and Imperial College. He started working for the EBRD in 1996. First elected at the GMS held on April 28, 2009.

1.5. Our objectives and strategy

OMV Petrom strategy for 2021: "Sustainable performance for growth"

OMV Petrom is the largest integrated oil and gas group in Southeastern Europe, with activities in the business segments of Exploration and Production, Gas and Power as well as Refining and Marketing.

The Group consolidated its position in the oil and gas market following a comprehensive modernization and efficiency increase process backed by investments accounting for more than EUR 11 bn over the past ten years. As reaffirmed in June 2012, OMV Petrom's vision is to remain the leading regional, integrated oil and gas company with sustainable performance to support potential upstream growth in neighboring Black Sea region.

The cornerstones of OMV Petrom's strategy at a glance are to maximize portfolio value in upstream and position for growth while increasing upstream's proportion of the asset base from 70% in 2011 to ~80% by 2021 and to optimize downstream value of equity gas and oil.

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

OMV Petrom successfully delivered on its 2012 – 2014 strategic objectives of sustained performance

2012-2014 - DELIVERED

- ☒ Stabilize production through field redevelopment, drilling, workovers
- ☒ Continue with operational excellence
- ☒ Optimize E&P portfolio through partnerships
- ☒ Bring Brazi CCPP on stream
- ☒ Enhance value of equity gas by strengthening gas sales
- ☒ Modernize/improve efficiency of Petrobrazi refinery
- ☒ Revamp fuel storage network

As a major employer and key player in Romania's economy, following ten years of profound restructuring and investments, OMV Petrom successfully delivered on its sustained performance objectives, reporting strong financial and operating results, in spite of a challenging regulatory and fiscal environment. We achieved strong results mostly due to overall production stabilization, operational performance and upstream portfolio optimization through partnerships. In addition, the Brazi power plant, on stream since August 2012, ensured an additional marketing channel for our equity gas. Moreover, the Petrobrazi modernization enabled us to process the entire Romanian equity crude and maximize its value by better addressing market demand.

Exploration and Production [2012-2014]: Stabilize production, continue with operational excellence and optimize portfolio through partnerships

Stabilize production and continue with operational excellence

In Exploration and Production, during 2012-2014 we successfully delivered on our strategic objectives, as the domestic hydrocarbon production volumes stabilized at around 170 kboe/d on average, fully compensating the natural decline. Moreover, we have registered two consecutive years of domestic marginal production growth since privatization, supported by efficient drilling and workovers, operational excellence initiatives and state-of-the-art technologies deployed to increase recovery rates. Furthermore, in 2014, OMV Petrom announced two important discoveries: the Marina 1 exploration well in the Istria block encountered a new oil reservoir which is currently under assessment and the Padina Nord 1 exploration well spudded in JV with Hunt Oil identified a new oil and gas field in the Buzau county.

The Group's asset base² was further shifted towards upstream from 70% in 2011 to 77% in 2014. OMV Petrom was able to keep its reserve replacement rate around the 40% level, on average, in the last three years, mainly thanks to continuous reservoir studies performed that involved drilling program results combined with diversification of recovery technologies. At the end of 2014, the proved oil and gas reserves in OMV Petrom Group's portfolio amounted to 690 mn boe.

In line with its strategic objective to increase ultimate oil and gas recovery, OMV Petrom has continued its focus on growing the business – through Field Redevelopment (FRD) and Near Field Opportunities (NFO) – and shaping its future by creating a portfolio of top fields.

² Includes upstream and downstream assets only, excluding Corporate and other

At the end of 2012, six FRD projects were brought closer to execution (Videle, Suplac and Oprisenesti – oil, Lebada East, Bulbuceni, Burcioaia - gas), while four projects were in the appraisal phase (Tazlau, Phoenix, Independenta and Balaria-Blejesti– oil fields).

At the end of 2013, seven important projects were in execution phase: Suplac Phase 2, Oprisenesti, Madulari Safety Upgrade, FRD Burcioaia, FRD Videle G2 Polymer Pilot, FRD Istria Phase 1 and FRD Bulbuceni. Additionally, in order to capitalize on some opportunities identified during Multidisciplinary Asset Reviews (MARs) from 2012, two new FRDs were put on track: FRD Bustuchin and FRD Istria.

During 2014, 12 FRD projects were in the execution phase, out of which six new FRD projects passed the Final Investment Decision (FID) and another two moved into operation phase.

Upstream portfolio optimization through partnerships

Upstream portfolio optimization efforts continue to be directed towards stabilizing production, operational excellence and partnerships.

In 2013, OMV Petrom signed a partnership with Repsol for four onshore blocks located in the Southern and Eastern Carpathians. In addition, in 2014, four drilling projects in JV with Hunt Oil have been spudded and executed, two of them being hydrocarbon discoveries. Two other complex and deep drilling projects have been spudded in 2014 in JV with Repsol and are scheduled to be completed in 2015, thus supporting OMV Petrom's strategic direction to explore deeper and frontier hydrocarbons.

Given the challenges of operating mature fields, as well as the complexity of our portfolio in Romania, in order to maximize production, OMV Petrom decided to enter partnerships with internationally renowned companies, with a track record of remarkable results in this area. The partnerships with Petrofac (2010), PetroSantander (2010) and Expert Petroleum (2012) are governed by Production Enhancement Contracts (PECs) referred to as PEC Ticleni, PEC Turnu and PEC Timis, covering in total 31 mature fields.

In the Black Sea, OMV Petrom is engaged both in shallow water and in deepwater activities. In 2012, in partnership with EMEPRL for the Neptun Deep perimeter, the first deepwater exploration well Domino-1 was drilled in the Romanian sector of the Black Sea, continuing in 2014 with the Domino-2 and the Pelican South-1 exploration wells.

Additionally, in 2014, EMEPRL and OMV Petrom secured an additional licence (Midia Deep) in the Romanian deepwater sector, in partnership with the Italian company GasPlus International.

For the past three years, OMV Petrom had an intensive seismic campaign, leading to the largest 3D seismic acquisition program in the Romanian sector of the Black Sea in 2013, reaching now 76% seismic coverage (weighted average for onshore and offshore) of the exploration acreage.

Gas and Power [2012-2014]: Bring Brazi power plant on stream and enhance value of equity gas

In recent years, Romanian gas and power markets were characterized by structural changes such as reduction of the economy's energy intensity, subsidized expansion of renewable power generation capacities and high utilization of coal-fired power plants, with a negative impact on gas demand as well as on gas-fired power plants operating environment. The evolution of CO₂ prices, together with an increased focus on energy efficiency and a lack of significant economic growth have increased pressure on energy demand and prices. In addition, the ongoing gas and power markets liberalization has put further pressure on the national demand, which fell constantly during 2012-2014.

To address challenges in the market and regulatory environment, OMV Petrom focused on enhancing the equity gas value and optimizing its integrated gas value chain. In the same time, the company strove to capture existing synergies in the G&P division by bundling electricity sales with natural gas sales to its clients.

During 2012-2014, OMV Petrom managed to maintain its leading position in the competitive natural gas market in Romania and supplied more than one-third of Romania's annual gas consumption. According to its strategy, the company expanded the gas value chain into power generation with the construction of the 860 MW gas-fired power plant Brazi, which started commercial operations in August 2012. The power plant ensures an additional marketing channel for gas, supported by its high operational flexibility and, together with the Dorobanțu wind park, can supply up to 10% of the national electricity production.

In line with the company's strategy of optimizing downstream operations and focusing on core businesses, OMV Petrom discontinued gas distribution to end-consumers by divesting its subsidiary Petrom Distribuție Gaze S.R.L. in 2013 and selling its 28.59% interest in the gas distribution and supply company Congaz S.A. in 2014. Following these transactions, all OMV Petrom external clients in the gas business are served through the fully consolidated company OMV Petrom Gas S.R.L. (99.99% owned by OMV Petrom).

Refining and Marketing [2012-2014]: Modernize and improve efficiency of Petrobrazi refinery and revamp fuel storage network

The completion of the Petrobrazi refinery modernization in 2014 brought significant operational improvement and supports our strategy of processing the entirety of our Romanian equity crude and maximizing its value by better addressing market demand. The modernization program of around EUR 600 mn was successfully implemented on time and on budget and led to sustainable improved results at the refinery.

Thus, the company achieved its objectives of processing 100% of the equity crude and optimizing the product mix by increasing the middle distillates yield and improving energy efficiency. The successful completion of this program added USD ~5/bbl to the standard profitability of the Petrobrazi refinery prior to modernization. During the modernization program the refinery utilization rate gradually improved, reaching its peak in the second half of 2014.

Meanwhile, R&M made significant progress as part of its "3+3 terminals strategy" aimed at modernizing the fuel storages to fully support the marketing network. As such, three new terminals have been installed (Jilava in 2009, Brazi in 2010, Ișalnița in 2012) and the Bacău revamped terminal was finalized in 2013 and started operations in the first quarter of 2014. The program continues with the reconstruction works of the Cluj facility, which started in Q2/14.

In the retail business, the Group further optimized its filling station network across all countries in its portfolio, while pursuing its two brand strategy (Petrom and OMV). Focus was put both on improving the offered services as well as on the stations exterior look. Also, in 2014, the company introduced a new LED lighting system in 345 Petrom filling stations, aimed at reducing electricity consumption for lighting in filling stations by 50%.

OMV Petrom has a wide geographical market, covering Romania, Bulgaria, the Republic of Serbia and the Republic of Moldova with approximately 800 filling stations. Despite increased competition and higher fuels taxation in Romania, the company maintained a leading position in the Romanian market, with a market share (retail and commercial sales) of approximately 34% at the end of 2014.

To streamline the Group's marketing activities, an administrative centralized structure was set up in 2012, bringing efficiency to the use of resources and helping better promote its products across the operating region. In line with the Group's strategy to focus on core activities and assets to increase efficiency, OMV Petrom sold its 99.99% stake in Petrom LPG S.A. Following the completion of this transaction in 2013, OMV

Petrom exited the bottling and distribution market, while it has continued to produce and sell gas cylinders and auto gas through its filling stations.

People and Resourcefulness [2012-2014]

OMV Petrom focuses on two key enablers considered to be essential in implementing its strategy: People and Resourcefulness. We have undergone one of the most complex and successful transformations of a state-owned company in recent years. Following our responsible approach to restructuring, massive investments, strive for competitiveness and sustainable development, we have managed to transform OMV Petrom into a leading company in terms of performance and corporate governance, which generates value for all its stakeholders.

We develop and empower our staff by involving them in idea management programs in the upstream and refining divisions, focusing on operations optimization, carbon and water management and new technologies. Living up to the pioneering status of Romania in oil and gas industry, OMV Petrom set a world record in the field of casing drilling in terms of diameter of drilling column and depth (2013) and a world record in shallow horizontal drilling in Suplacu de Barcău (2011). In addition, in 2014 OMV Petrom opened its first 3D Visualization Centre for geoscientists and engineers, which facilitates better interpretation of geological data and improved design of exploration and production operations for technical teams. Being the most advanced center of this kind in Europe, the new technology center allows faster decision making and better investment risk mitigation.

Furthermore, the company has constantly developed accelerated capabilities programs for blue-collar workers, having its own Technical Training Center, launched in 2013, and strived to further refine its corporate culture by enhancing top and middle management skills in risk management³ and sharing best practices through internal conferences, such as OMV Petrom Talks.

Having celebrated both 80 years from setting-up the Petrobrazi refinery and 10 years of continuous transformation, in 2014 we have embarked on a special roadshow in our regional assets where we rewarded over 200 external and internal stakeholders for their exceptional contribution in community involvement initiatives. Over 1,400 people attended.

OMV Petrom is a pioneer in CSR in the Romanian business sector. Since 2007, the company integrated the principles of corporate responsibility within its business strategy and has allocated more than EUR 40 mn for the development of communities in Romania, focusing on environment protection, education, health and local development. Since 2009, “Andrei’s Country” became OMV Petrom’s community involvement platform and the best known CSR program in Romania.

In 2012 OMV Petrom moved from CSR to sustainability and introduced “Resourcefulness” in its business strategy – a group-wide concept that drives the organization towards profitable growth through a responsible use of natural, human and financial resources.

2014 marks our eighth year of social and community involvement, reaching up to a million people through our community projects and being recognized⁴ by both the general public and key opinion leaders as the most involved company in Romania in social and environmental issues.

³ 2015: “Risk Academy 2014 Program” - Commitment to learning and development in risk management (Global Risk Awards, Institute of Risk Management, United Kingdom)

⁴ 2013: ‘Andrei’s Country’ – Best online community in Europe (European Digital Awards, Berlin) / 2014: Best CSR Report at ‘European Excellence Awards’ (Paris)

2015+ Strategic directions

OMV Petrom maintains its strategic directions: maximizing upstream portfolio value and positioning for growth in the Black Sea region, enhancing the value of equity gas and optimizing integrated equity oil; however, the pace is dependent on both market fundamentals and an investment friendly environment.

2015+ Strategic directions remain...

...but pace depends on market fundamentals and investment friendly environment

- ▶ Increase **ultimate** oil and gas recovery
- ▶ Explore **deeper and frontier** hydrocarbons
- ▶ Explore and appraise **Neptun block** (Black Sea deepwater)
- ▶ **Optimize** across commodities and **leverage** evolving regulatory framework
- ▶ Enhance value of **integrated downstream**
- ▶ **Optimize** business portfolio

market conditions recover.

Under the current market environment, our focus is on safety, managing the cash flow and optimizing our portfolio. Therefore, we scaled back the investment program by prioritizing projects and activities and re-phasing CAPEX and drilling schedules. Our investment program for 2015 is currently expected to be between EUR 0.8 bn – EUR 1.1 bn, out of which approximately 85% will be directed towards Exploration and Production. The priority is to minimize the production decline; however, we expect a negative impact on production, although the key growth projects in execution will be delivered. Nevertheless, we are retaining options for the medium term – the flexibility to reduce further, as well as the optionality to ramp up activities as

In addition, we have intensified cost optimization programs across all business segments, in response to a potentially prolonged low oil price environment.

Also, we expect public consultations on the fiscal framework to continue in 2015, as announced by the authorities, and we aim for a stable, predictable and investment-friendly environment, which is a key prerequisite for future investments.

[2015+] Maximize upstream portfolio value and position for growth

Exploration and Production continues to be the company's backbone and is positioned to capture future growth potential. The value will be built by increasing ultimate oil and gas recovery, by further appraising the Neptun Deep block gas discovery and by exploring additional opportunities, including the neighboring Black Sea.

Continuing production stabilization, as well as future potential based on redevelopment opportunities and new technologies both depend on the market and fiscal environment. In the short term, the key priority is to minimize production decline by focusing on operational excellence and delivery of projects in execution.

In accordance with our revision of the 2015 investment program, FRD projects under development/execution might be slowed-down, while those in the appraisal phase will be re-engineered or reduced. Operational activities will focus on delivering around 1,200 workovers and up to 70 new wells, again dependent on the market and fiscal environment.

Meanwhile, in partnership with Repsol, the exploration drilling for two exploration wells is ongoing. Also, the Padina Nord discovery in partnership with Hunt Oil is expected to further advance, with development options currently under consideration.

In the Black Sea, the joint-venture with EMEPRL for the Neptun Deep block will continue our exploration and appraisal drilling campaign in 2015, while Domino-2 and Pelican South-1 results, together with data from additional exploration wells, will be used for the evaluation of the consolidated block potential.

[2015+] Further enhance value of equity gas

The gas and power markets and their regulatory framework are undergoing continuous changes. The liberalization of these markets has progressed, with that of the non-household sector already completed. Liberalization of the household sector is expected to be finalized at the end of 2017 in the power market and the latest in June 2021 in the gas market. Furthermore, gas producers have the obligation to sell via Romanian centralized trading platforms around one third of their domestic gas quantities for the free market, with this obligation steadily decreasing until end-2018. In addition, the gas infrastructure and interconnections are in need of significant investments in order to unlock Romania's full gas potential.

In 2015, gas demand in Romania is not expected to recover, which will lead to increased competition and further margin pressure, whereas in the power market, demand is anticipated to be relatively stable and prices to remain under pressure.

In response to these challenges, OMV Petrom will continue to focus on further enhancing the value of its equity gas. To this end, the company aims to both strengthen gas sales as well as to consolidate the integration of the Brazi power plant in the gas value chain. Specifically, in the gas business, our priority is to maintain a leading position in the competitive market, whilst enlarging the offering to our customer base by further bundling natural gas sales with electricity sales. In the power segment, a sustainable integration of the Brazi power plant into the gas value chain will also enable us to capture additional market opportunities by capitalizing on the state-of-the-art operational flexibility of the power plant.

The existence of a predictable and sustainable regulatory framework will play a key role with regard to the company's performance in the gas and power business.

[2015+] Optimize integrated equity oil

In 2015, refining margins are expected to come down from the recent levels, due to persistent overcapacity in local and European markets. The lower product prices resulting from the decline in oil price are expected to support the demand in the marketing business, nevertheless with increased competition.

OMV Petrom's potential in value delivery in Refining and Marketing lies in enhancing the value of its integrated equity oil and optimizing its business portfolio. The company will further capitalize on the successful completion of the Petrobrazi refinery modernization along the whole value chain. Moreover, the refinery will continue economic energy efficiency improvements. In addition, the fuel terminal network optimization program will continue with the reconstruction works at the Cluj terminal expected to be finalized by the end of 2015.

In addition to further optimizing its network and efficiency of operations in the retail business, the company will pursue partnership opportunities, such as continuing the implementation of the shop-in-shop⁵ concept.

Through the improved efficiency of our refinery operations, network optimization and focused marketing business, OMV Petrom aims to generate robust cash flows.

[2015+] People and Resourcefulness

People and Resourcefulness are the two key enablers of implementing OMV Petrom's long-term strategy. To this end, we are working towards developing and empowering our human capital to achieve operational excellence and growth. In the short-term, we will strengthen the focus on behavior-based safety and fully integrate in the organization the Ombuds Office, an innovative initiative launched in 2014 in OMV Petrom Group, as a designated independent, impartial, confidential and informal assistance to employees at all levels within the organization.

Furthermore, we will continue to focus on creating shared value with stakeholders for long-term sustainable growth, having high safety and environmental standards. Through our Resourcefulness platform, we aim to address the sustainable use of natural resources which is at the core of our activities together with long-term partnerships with the communities in which we operate.

⁵Renting space within shop area of a filling station to partners

1.6. Sustainability

OMV Petrom has developed a strong culture of responsibility towards the environment, society and local communities. In 2012, we adopted the concept of “Resourcefulness” – a Group-wide approach that puts sustainability at the heart of our operations. In 2014, we made good progress by cutting our carbon intensity by 4.7% compared with 2013. In line with our commitment to support people to become successful we involved about 58,000 people in various educational initiatives, and over 400 were granted official qualifications or scholarships. Through “Andrei’s Country” – our main community development platform we financed 10 social businesses in OMV Petrom communities that generated 35 new jobs in 2014.

Our sustainability concept: Resourcefulness

As the largest integrated oil and gas producer in Southeastern Europe, our aim is to secure a reliable energy supply for society, now and in future. But our industry faces some real challenges, which we address by building our conduct on the underlying principles of responsibility, innovation and careful management of resources.

OMV Petrom first began integrating sustainability principles into its business strategy and operations when it joined the OMV Group in 2004. In 2012, OMV Petrom introduced “Resourcefulness” – a group-wide strategy that drives our organization towards profitable growth in a sustainable and responsible manner. Our approach is designed to create long-term win-win solutions for society, the environment and our company. It brings together all our responsibility commitments related to environmental management, new energy, education and development, health and safety, diversity, business ethics, human rights, stakeholder and community engagement under one single overarching strategy.

Our commitments are organized around three key focus areas:

Eco-Efficiency – limiting our impact on the environment;

Eco-Innovation – pursuing alternative energy sources and opportunities to drive sustainable innovation;

Skills to Succeed – fostering the skills people need to succeed.

In 2014, we set up the OMV Petrom Resourcefulness Steering Committee (OPRSC), an internal body aimed at rolling-out, informing and aligning all functions and business units in all sustainability endeavors. The OPRSC convenes every quarter and it is conducted by the company’s CEO. In addition, over 400 managers attended strategy workshops that offered examples of Resourcefulness projects from Skills to Succeed and Eco-Efficiency streams so that they would better understand the way sustainability integrated in all business aspects.



In 2015, we will continue to roll-out Resourcefulness to our employees, including line management and dedicated volunteering and engagement programs.

The three pillars of Resourcefulness

Eco-Efficiency

Due to the nature of our business, OMV Petrom has a special responsibility to manage its environmental impact and ensure safe and efficient operations. We aim for best practice in environmental management, with a particular focus on carbon emissions, water resources and energy efficiency.

Energy efficiency is a key driver in reducing OMV Petrom’s greenhouse gas (GHG) emissions. In 2014, The Energy Management System implemented unitarily in OMV Petrom received the certificate of conformity with

ISO 50001, following an external audit realized by TÜV Thüringen.

We closely monitor carbon intensity performance across all business divisions to drive down GHG emissions. In 2014, we cut our carbon intensity by 4.7% compared with 2013, exceeding our target of 2%. Our strong performance was due to a variety of factors, including a number of energy efficiency projects that took place throughout the year. One of the most important projects, was the Petrobrazî refinery which succeeded to improve its energy efficiency by 25% in 2014 compared to 2009, driven by the integration of the hot feed in the Fluid Catalytic Cracking installation, the improvement of the performance of the DAV furnaces, and the revamping of the utilities network. In E&P, we managed to reduce venting emissions through optimization of gas pipeline networks and using vented gases for energy production in gas-to-power and combined heat and power equipment, optimized water injection systems, modernized offshore installation for heat and power production, optimized the industrial water plants and installed High Efficiency Motors and Compact Fluorescent Lamps.

The 860-MW gas-fired power plant Brazi uses the best available technical solutions in the industry to achieve efficiency twice higher than industry average, high flexibility and emissions up to three times lower than those of a coal-fired power plant.

OMV Petrom received the Industry Oscar for Energy Efficiency, for Light up, the project that implemented LED technology in 345 Petrom filling stations. We invested EUR 2.1 mn to reduce the electricity consumption for lightning in our filling stations by 50%. The prize was awarded for positive impact on business, environment, financing and communication of the project as a benchmark and best practice in the industry.

Our continuous efforts to protect water resources resulted in a further reduction of water withdrawal in 2014. The main actions contributing to this reduction include carrying out preventive maintenance and repair to reduce water losses in OMV Petrom wide, as well as optimizing fresh water supply systems and improving freshwater treatment and heat generation in E&P.

Eco-Innovation

Our Eco-Innovation aim is to secure valuable, long-term alternatives to traditional fossil fuels and developing new technologies that can help reduce CO₂ emissions. In 2014, we appointed a responsible person to develop this important area of our strategy. The first phase of work will involve research into new energy sources. We will report on progress as this work develops.

Skills to Succeed

We aim to create value and secure our long-term future by helping people foster and develop the skills they need to be successful. In 2014 only, our employees benefitted from more than 52,000 hours of training in the technical training center in Ploiesti and over 58,000 people from our communities were involved in various educational initiatives, and over 400 were granted official qualifications or scholarships.

In 2014, we continued our community development programs through "Andrei's Country". We focused on fostering the success of the 10 winners within the biggest social enterprises competition in Romania - "Made in Andrei's Country" through business development and mentorship from 3 OMV Senior Vice Presidents. So far the 10 businesses generated 35 new jobs and revenues for another 127 people (small producers and suppliers).

Through our educational programs, approximately 800 pupils and students and 50 teachers benefited from training in entrepreneurship, leadership, performance and career orientation.

One community project we focused on was building an Educational and Vocational Center in Boldești Scăieni, mainly addressed to Roma people. The construction for the new center is designed to be one of the most sustainable buildings in Europe. Until now, the educational program carried out in the area targeted 90 children who attended educational workshops in order to reduce school abandonment and 100 parents that attended mentoring sessions.

How we performed

We have identified the following key topics that influence our performance. We measure the effects of our actions, which in turn enable us to make the best decisions for OMV Petrom and our stakeholders in the future:

- Environment and energy management
- Health, safety, security and resilience
- Human Rights
- Diversity and human resources

- Business ethics and governance
- Stakeholder engagement and community management.

Environment and energy management

We manage our environmental impacts along our entire value chain. OMV Petrom's goal is to use natural resources efficiently and to minimize waste and emissions to air, water and land. We constantly strive to reduce our GHG emissions and the amount of water we consume for our operations.

Hydrocarbon spillages are an important risk factor for our business due to the potential environmental damage they can cause. A key aim of OMV Petrom's E&P strategy is to be in better control of this risk. To address this, we carried out a broad range of activities, including creating spill risk maps which provide detailed information on critical points along pipelines and key risk areas in our operations. Some 80% of OMV Petrom E&P Assets are now covered by the maps. In 2014, the Risk Based Inspection and Pipeline Integrity Program software was finalized for roll out in 2015, this will allow us to proactively manage, inspect and repair our high risk pipelines before potential damage occurs. In 2014, HAZOP's were conducted on our top 43 High-risk facilities including parks, tank farms and compressor stations resulting in more than 1,250 actions. These have now been included in the 2015 Integrity Program and Asset Risk Reduction Plans.

In order to strengthen the environmental culture we deployed the campaign "We cherish natural resources. Our future depends on them". Valuable talks were held on carbon and water management with around 200 employees across OMV Petrom.

Health, safety, security and resilience

Health, safety and security are basic requirements for our business success and our continued license to operate. Our main concern is our employees' physical safety and wellbeing. We believe all accidents can be prevented and we focus on process reliability, safety and health promotion, and improved road safety. Our approach is based on hazard identification, risk management and safety training. By recording and investigating all incidents and near misses, we are making sure that we learn from previous experience and prevent recurrences.

- In October 2014, we launched the "Health: On!" platform, which integrates in one concept all health programs offered by OMV Petrom. Through an attractive and interactive communication, the platform is aiming to change the employees' attitude from consumers to coproducers of health, while encouraging the voluntary utilization of the health programs, according to their specific needs;
- Starting with September 2014 a new health benefit was offered to all employees: the private health insurance. Until the end of the year, 1,935 unique insured employees have used medical services covered by this insurance;
- We offered two screening programs for cardiovascular and liver diseases, with over 9,400 and 8,800 participants, respectively. These programs are in addition to legally required medical examinations;
- An awareness campaign ("Act now. Save a life! Heart attack can't wait.") on cardiovascular emergencies was rolled out in 36 sessions with cardiologists, with over 1,600 participants in 23 different locations.

Our lost time injury rate (LTIR) increased from 0.37 in 2013 to 0.47 injuries per million hours worked in 2014. Among our contractors, LTIR improved to 0.21 injuries per million hours worked compared to 0.31 in 2013. Combined LTIR employees and contractors decreased from 0.33 in 2013 to 0.30 in 2014.

Process safety (PS)

In 2014, we continued our journey in implementing process safety as best practice in managing our operational risk and preventing major accidents in our company. As per our 2016 Process Safety Strategy, in 2014 we were focused on building strong people and procedural barriers. To achieve this target we implemented some projects and activities:

- HSSE risk management package was released and promoted to the business through workshops and trainings and more than 400 operational and HSSE managers were trained;
- Process Safety Knowledge sharing campaign: organizing and attending Quarterly OMV Petrom Process Safety Network meetings where experts involved in implementation of process safety from all Business Divisions were involved sharing their experience, knowledge in this filed;
- Process Safety Awareness campaign: developing awareness training materials on different topics and lessons learnt from major industrial disasters and training of operating personnel by developing and publishing CCPS beacons PS alerts; more than 2,800 people were trained;

- OMV Petrom is member of the European Process Safety Centre and we attended the two technical Steering Committee meetings where we shared our experience in process safety with other oil and gas companies from the European Union.

Additional highlights from 2014:

- We met the goals set out in the Commitment to “European Road Safety Charter” by installing more than 3,200 in-vehicle monitoring systems and providing training to over 6,500 stakeholders;
- Also, ongoing support of the Road Safety group psychology implementation, in 2014 a number of other 2,755 vehicle users took part at safe driving refresher training, based on the Commentary driving UK certified method, this resulting in a significant reduction in the number and severity of vehicle accidents;
- We extended access to our online safety and emergency training platform “Virtual University” to more than 3,000 users. More than 2,300 employees accessed the training materials and tests available through the platform;
- We signed a Cooperation Protocol with IGPR (General Inspectorate of Romanian Police), which has the main scope to increase the efficiency of joint actions organized with the authorities for ensuring the protection of company’s people and assets and to improve the response in case of an incident. Beside the operational benefits, the Protocol represents also a formalized means of engaging the central and local authorities by organizing periodical meetings (on a weekly and monthly basis) for knowledge sharing.

Human rights

Human rights are a central pillar of the Resourcefulness strategy. In December 2013, we were welcomed as a member of the United Nations Global Compact (UNGC) and have subsequently embedded their principles into our own human rights policy and Code of Conduct. In 2013, we defined new human rights key performance indicators (KPI) with support from OMV human rights specialists.

We aim to communicate openly with our employees and our stakeholders on human rights issues, and to demonstrate the actions we have taken to meet EU legislation and Global Compact principles. OMV Petrom’s Human Rights Policy and Matrix guide our business decisions.

Starting with 2013, OMV Petrom has benefited from the services of an organizational ombudsman department, “PetrOmbudsman”. This structure was designed as a supplementary communication channel from those already existing in relation with the management and the unions. The purpose of this activity is to assist management and employees in determining the options available to amiably resolve conflicts, problematic issues or concerns. PetrOmbudsman is an independent, neutral, informal and confidential resource which acts according with the International Ombudsman Association’s Standards of Practice and Code of Ethics.

In February 2014, OMV Petrom’s CEO signed the Statement for Women’s Empowerment Principles – a joint platform of the Global Compact and UN Women, fostering principles for business on how to empower women in the workplace and communities. In this respect we engaged an independent expert to help us organizing a workshop focusing on “equality means business”.

In 2014, we introduced training sessions for employees, according to the specific KPI for human rights activity. 279 colleagues were trained, including potential company’s clients. Advertising activities for International Human Rights Day, December 10, were developed at the end of the year, demonstrating that human rights are permanently embedded in our daily activity.

Diversity and human resources

OMV Petrom’s workforce is made up of around 51 different nationalities, diversity, and inclusion and equal opportunities being high on the agenda at all our operating locations. We strive to attract the best people from diverse resources groups, and to give them the tools and skills they need to perform to their full potential. We develop ways to incorporate different perspectives of employees to encourage diverse thinking, innovation and creativity at all business levels, thus ensuring sustainable competitive advantage and performance of our company. Diversity contributes to the fact that OMV Petrom is acknowledged as an employer of choice, and we aim to keep it that way.

Achieving gender balance has always been a challenge in our industry. By the end of 2014, the proportion of women across the OMV Petrom Group was 24%. Of this mix, 31% (389) women were in Management Positions slightly above industry benchmarks.

To promote gender balance in our industry, OMV Petrom hosted the second edition launch of the Women Leadership Cross-Company Mentoring Program. The program, a unique initiative in the local business market, is a partnership with leading global companies which aims to develop Romanian women leaders of the future.

OMV Petrom is running actions to raise the ratio of women with technical profile within the company and also we are sponsoring events in partnership with other companies in the field with the main scope to make the perspective of a career in oil and gas more appealing to young women students.

Our scope, as an organization is also to attract the best students and offer them the opportunity to complete their formal education by attending practical activities, specific to a certain business area. Open4U is our very successful internship program, through which we hosted 160 students who undertook a two months' paid internship. Feedback from the business has been encouraging and we plan to continue the program in the coming years.

Business ethics and governance

Trust and integrity form the basis for all our activities, and we aim for a culture of ethics and responsibility. All OMV Petrom employees are expected to demonstrate honesty, transparency and integrity in their business dealings. Our governance procedures are centered on a Code of Business Ethics, which includes clear rules on conflicts of interest, gifts and hospitality, and the assessment of third parties. A compliance system and relevant processes help to ensure we meet our commitments.

Every year, we deliver comprehensive training on topics related to business ethics, antitrust, and insider trading. In 2014, this included more than 1,600 employees. We strengthened our compliance program, which combines training, guidelines, internal rules and expert advice. We developed the Manager's Compliance guide as a tool to help our managers improve compliant decision-making in daily business. We finalized our series of professional "Compliance Days", addressing the Exploration and Production areas of the business, with six new events. In our effort to address specific business needs we also organized a workshop focused on Competition Law matters for employees working in the commercial area.

Stakeholder engagement and community management

OMV Petrom engages with a wide range of stakeholders. We aim for regular and consolidated dialog to create meaningful, long-term relationships with stakeholders – helping us understand their views, interests and needs so we can improve our activities. In 2014 we were recognized by our external stakeholders as the most involved company in Romania in social and ecological projects⁶.

In 2014, the sixth edition of the OMV Petrom Stakeholder Dialog Forum brought together stakeholders from all groups and categories, including authorities, academics, experts, consultants, peer companies, regulators, financial institutions and non-governmental organizations to celebrate "Together for 10 years towards Performance". The objective of the event was to further continue and enhance our dialog on a broad range of issues which contribute to large achievements of OMV Petrom in the long run.

The first step in stakeholder engagement is getting to know your target. That is why we conducted in depth studies in 85 local communities assessing their needs and the overall perception about OMV Petrom business activity and community involvement. The results of the study were presented to local management and local CR teams and both to OMV Petrom management. All insights will be used to shape and develop future community projects.

2014 was a special year for OMV Petrom as we celebrated 10 years since the company changed from a state-owned to modern company within OMV Group. We wanted to inform, reward and recognize our major stakeholders that were part of our operational, financial and social achievements. That is why we organized 10 Community Galas in our 10 regional E&P assets where we rewarded over 200 external and internal stakeholders for their exceptional contributions in community development. Over 1,400 people attended.

We continued to strengthen our local stakeholder dialog and engagement through other three community based organizations – local NGOs financed by OMV Petrom hosting local authorities and community and company representatives that find together solutions for local development.

⁶ Public perception is a KPI measuring stakeholder engagement, according to OMV Group defined sustainability controlling KPIs dashboard. The perception study is done bi-annually targeting general public and KOLs from media, NGOs and public authorities sectors. The study is conducted by Integral.

Internal capacity building is one of our major objectives. In 2014, 31 people from E&P attended Community Relations and Community Development trainings by specialized consultancy. At national level, OMV Petrom supported the implementation of over 100 community development projects.

Apart from strategic initiatives, we also developed dedicated programs targeting specific stakeholders, according to their importance and interests.

Together with KPMG we designed and organized capacity building sessions for local authorities from our operational communities in accessing EU funds, project management and public procurement. 70 beneficiaries from 50 communities attended.

Five communities have received assistance in elaborating local development strategies, guidelines for their implementation and community engagement, and investment plans.

One of our main partners in implementing community projects are the central and local NGOs. In 2014, we organized a dialogue and workshop session attended by 27 organizations where we exchanged future plans for development in line with OMV Petrom Resourcefulness stream lines. 2,200 employees also expressed their support for over 250 NGOs by redirected 2% of their income tax.

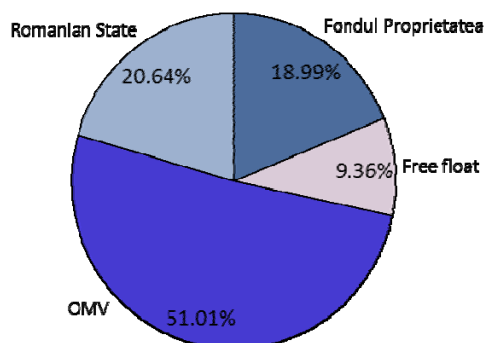
Our employees continued to be our key stakeholder in rolling-out the sustainability activity. In 2014, more than 2,600 employees volunteered for various causes around the country and also developed and implemented 15 community projects as part of OMV Petrom Volunteering Championship (internal competition).

	2012	2013	2014
Lost-time injury rate (LTIR) per million hours worked for own employees	0.41	0.37	0.47
Lost-time injury rate (LTIR) per million hours worked for contractors	0.55	0.31	0.21
Lost-time injury rate (LTIR) per million hours worked combined employees and contractors	0.49	0.33	0.30
Total recordable injury rate (TRIR) per million hours worked for own employees	0.78	0.67	0.90
Total recordable injury rate (TRIR) per million hours worked for contractors	1.03	0.51	0.56
Total recordable injury rate (TRIR) per million hours worked combined employees and contractors	0.93	0.57	0.68

1.7. OMV Petrom shares

Shareholder structure

As of the end of 2014, OMV Petrom S.A. had the following shareholding structure: 51.01% - OMV Aktiengesellschaft, 20.64% - Romanian State, 18.99% - Fondul Proprietatea. The remaining share was free float, traded on the first tier of the Bucharest Stock Exchange (BSE). Around 500 legal entities from both Romania and abroad held approximately 7.5% of the free float shares, with the remainder (1.8%) held by almost 460,000 private individuals.



Shares

Last year OMV Petrom's share price followed an upward trend until the end of August when it registered its year high of RON 0.49. Subsequently, following the pressure on oil prices, the stock started to decline and registered the year low of RON 0.37 per share in mid December. Overall, OMV Petrom's share price fell 13.2% on a full-year basis. OMV Petrom's market capitalization at the end of 2014 stood at RON 23.1 bn (EUR 5.2 bn), accounting for 17.8% of the total market capitalization of the companies listed on the BSE.

At market level, BET index (representing the ten most liquid blue chip stocks listed on the BSE) advanced by 9.1%, BET-NG sector index (comprising stocks in the energy and utilities sectors) moved up by 5.7% and the BET-BK index (designed as a benchmark for asset managers and institutional investors), grew by 3.7% over the same period.

In the international financial markets, the European and US indices rose slightly year-on-year (DAX +3%, FTSE Eurotop 100 +3%, Dow Jones +8%) while the FTSE Global Energy Index, comprising the world's largest oil and gas companies, decreased by 13%.

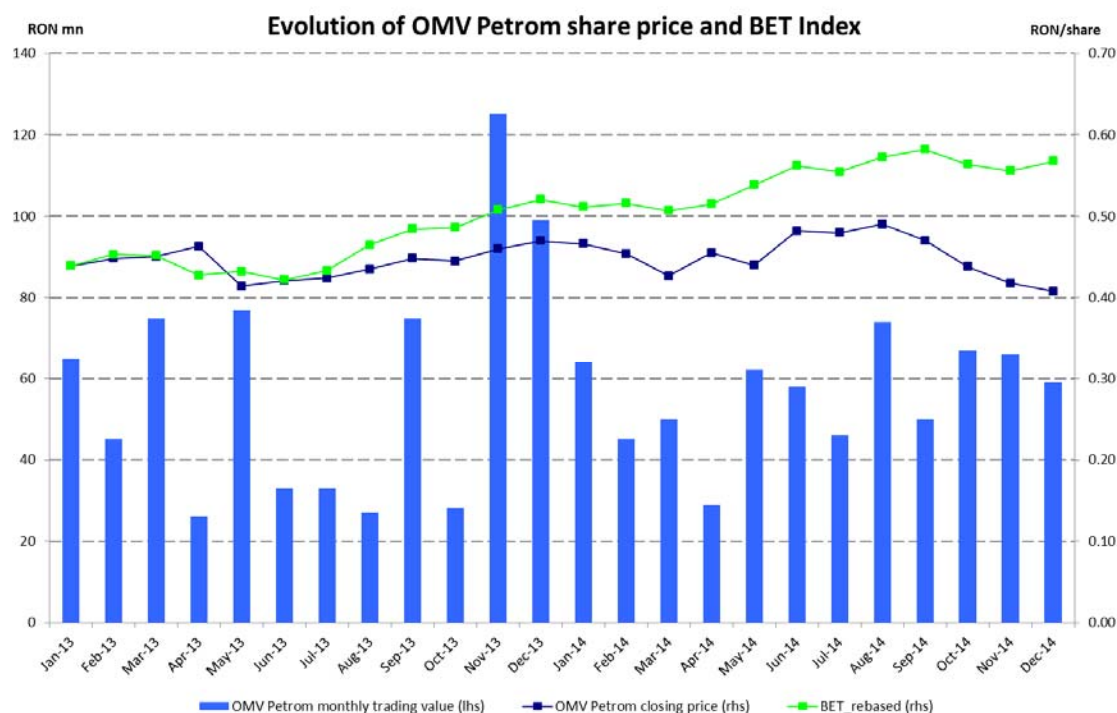
OMV Petrom share symbols

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

At a glance	2012	2013	2014
Number of shares (mn)	56,644.1	56,644.1	56,644.1
Market capitalization (RON mn) ¹	24,249	26,611	23,111
Market capitalization (EUR mn) ¹	5,475	5,961	5,156
Year's high (RON)	0.4327	0.4784	0.4900
Year's low (RON)	0.2900	0.4098	0.3700
Year end (RON)	0.4281	0.4698	0.4080
EPS (RON/share)	0.0698	0.0851	0.0371
Dividend per share (RON)	0.028	0.0308	0.0112 ²
Dividend yield ¹	6.5%	6.6%	2.7% ²
Payout ratio	40%	36%	30% ²

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

² Proposed dividend, subject to GMS approval



General Meeting of Shareholders

On April 29, 2014, the Ordinary General Meeting of Shareholders (OGMS) approved OMV Petrom S.A.'s Revenues and Expenditures Budget for the financial year 2014, the financial statements for 2013 and the distribution of a gross dividend of RON 0.0308 per share for the financial year 2013: a total amount of RON 1,745 mn, corresponding to a 36% payout ratio. The OGMS also approved the appointment of Mr. Johann Pleininger as a new member of OMV Petrom's Supervisory Board for the remaining term of Mr. Jacobus Gerardus Huijskes's mandate, respectively until April 28, 2017 and reappointed Ernst & Young Assurance Service S.R.L. as the company's financial auditor for 2014.

Investor Relations activities

Throughout 2014, the company's top management and the Investor Relations (IR) team had an active presence in the local and foreign capital markets, by regularly organizing meetings and conference calls

with both local and foreign institutional investors and analysts. Moreover, this year, with the occasion of the Q4/13 and Q2/14 earnings release, the company organized live presentations of the company's financial and operating results, made available through audio webcasts and conference calls, hosted by Executive Board members.

Additionally, the company also attended analyst and investor conferences organized in Romania and abroad (Europe and United States of America). At these events, analysts and investors had the opportunity to address questions directly to the company's top management team as well as to the Investor Relations representatives, and discuss the company's reported results and its strategic directions. More than 100 one-to-one or group meetings were held throughout 2014.

Since 2010, OMV Petrom has produced condensed consolidated interim financial statements prepared according to International Financial Reporting Standards (IFRS) for the capital markets on a quarterly basis. This provides for a high degree of transparency and facilitates comparability with our international peers. In line with Romanian legal requirements applicable for listed companies, starting 2012 OMV Petrom also prepares separate individual financial statements in accordance with IFRS.

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

Dividends

On March 24, 2015, the Supervisory Board endorsed the management's proposal to distribute dividends of RON 0.0112 per share, resulting in a payout ratio of 30%. The dividend proposal is subject to further approval by the Ordinary General Meeting of Shareholders, on April 28, 2015.

Own shares

As at year-end 2014, OMV Petrom S.A. held a total of 204,776 own shares, representing 0.0003% of issued share capital.

In 2014, OMV Petrom did not buy back or cancel any of its own shares.

Financial calendar 2015

Financial events	Date
Results for January-December and Q4 2014 ^{1,2}	February 19, 2015
Publication of the Annual Report 2014	April 28, 2015
The General Meeting of Shareholders	April 28, 2015
Results for January-March 2015 ²	May 18, 2015
Results for January-June and Q2 2015 ²	August 12, 2015
Results for January-September and Q3 2015 ²	November 5, 2015

¹ Preliminary results

² OMV Petrom consolidated results prepared according to IFRS

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1.8. Business environment

Globally

According to the IMF estimates, the world economy grew by 3.3% in 2014, the same as last year, with global economic activity continuing to display marked asymmetries across major economies. In the US, real GDP grew solidly, rising by 2.4%, driven by increased consumer spending and higher business investment in equipment and new software. Japan marginally avoided stagnation as private domestic demand failed to accelerate after the increase in the consumption tax. Among emerging economies, the picture was more uneven. Russia's economy slowed down at an accelerated pace as the effects of successive rounds of economic sanctions and the falling oil prices started to take their toll on the domestic economy. In Brazil, a sharp drop in business and consumer confidence pushed the economy marginally into negative growth territory. Growth momentum in China continued to slow down on the back of weakness in the housing market and heavy industries. In Europe, the speed of economic recovery started to gather pace as the economic reforms enacted in a number of EU economies began to pay off. Although the Eurozone economy expanded by 0.8% in 2014, growth was uneven among its member countries. Germany, Eurozone's largest economy, grew by an impressive 1.5% compared to 0.4% for France and (0.4)% for Italy.

Consumer price inflation in advanced economies remained stable at 1.4% in 2014 as commodity prices fell and output gaps in major developed economies and emerging markets continued to prevail as a result of excess supply capacity and weak demand. Global non-fuel commodity prices dropped by 4.0% for the third year in a row. Underlying price pressures in the euro area remained low, pushing inflation into negative territory, to (0.2)%, at the end of 2014. The euro fell against the US dollar amid expectations of further diverging monetary policies in the euro area and the US. Global trade volume advanced at 3.1%, lower than in 2013, as economic conditions weakened in major emerging economies.

In 2014, total **global oil demand** rose by 0.8% to 92.5 mn bbl/d compared to 2013. Weak global demand conditions continued to impinge negatively on oil demand. OECD oil demand fell by 1.1% in 2014 to 45.6 mn bbl/d led by sharp declines in oil demand in OECD Europe, which was down by 2.2% year-on-year, to 13.4 mn bbl/d, and in OECD Asia Oceania, which fell by 2.4% year-on-year, to 8.1 mn bbl/d. Strong growth in road transport fuels in the US, together with increasing activity in agriculture and industry, have provided some extra stimulus to oil products demand. In contrast, non-OECD annual demand grew in all major markets. Oil demand was particularly robust in China, growing by almost 3%, despite the reduction in the pace of growth, the sharp deceleration in industrial activity and the ongoing worries related to macroeconomic stability. Oil demand in Middle East rose by 2.5%, to 8.1 mn bbl/d, dampened by the effect of lower commodity prices which reduced both the income and the oil demand growth. **Global oil supply** stood at 93.3 mn bbl/d, growing by 2.1%, compared to 2013. The bulk of the growth in oil supply came from the Americas, where more than 1.6 mn bbl/d were produced in 2014 compared to 2013. The US and Canada were the top two sources of non-OPEC production growth. Total OPEC oil supply fell by 0.2 mn bbl/d compared to 2013, to 30.3 mn bbl/d, as production shrunk in Libya, Nigeria and Angola. OPEC's effective spare capacity stood at 3.4 mn bbl/d at the end of 2014 with Saudi Arabia accounting for four fifths of the surplus.

In 2014, the average Brent price stood at USD 98.95/bbl, 9% lower compared to its 2013 level. However, oil prices had a faster dynamics in the second half of 2014, when they collapsed by 50%, the third such largest decline in more than three decades. A mix of supply, demand and geopolitical factors contributed to the price decline. The rapid increase in US shale oil production, in the context of OPEC maintaining their production levels, led to an oversupply in global oil markets. Weak global demand and the slowdown in China, together with the rapid strengthening of the US dollar, added further downward pressures on oil prices. The gap between Brent and Urals oil prices widened in 2014 to USD 1.0/bbl up from USD 0.4/bbl a year earlier. In 2014, the average Urals price was USD 97.95/bbl, 10% lower compared to 2013.

Romania

According to preliminary estimates by the National Institute of Statistics, Romania's economy grew by 2.9% in 2014, stronger than initially forecast. Output was mainly driven by the recovery in private consumption

and a robust exports performance. Household purchasing power rose consistently throughout 2014 as inflation was falling and annual nominal wage growth remained stable, at around 5%. At the end of 2014, the consumer confidence indicator reached its highest level since 2008, driven by improved economic outlook. Household final consumption expenditure showed concrete signs of revival rising by an estimated 5% year-on-year, despite the fact that private demand for credit remained feeble.

The volume of industrial production grew by 6.1%, driven almost entirely by manufacturing. Overall, macroeconomic stability continued to improve in 2014 as economic imbalances were still being corrected. The current account deficit shrank further in 2014 to EUR (0.7) bn, the equivalent of (0.5)% of GDP. Trade balance recorded a surplus of EUR 0.4 bn as the net balance of services rose at an annual rate of 25%, to EUR 5.9 bn. Both exports and imports advanced by 5.9% in EUR terms, a solid growth rate, albeit lower than in 2013. In 2014, foreign direct investment stood at EUR 2.4 bn, more than 10% lower compared to its 2013 level. Almost all foreign capital channeled in the economy came in the form of capital contribution to Romanian based entities, intra-company loans turning in fact marginally negative.

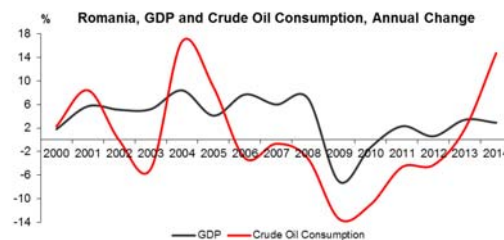
In 2014, the government budget deficit fell to 1.9% of GDP, leading to further consolidation in the state of public sector finances. Total government revenues were higher by 5.8% in real terms compared to last year, while government spending rose by 3.8%. However, the sharp drop in public capital spending was the single factor that brought the budget deficit to its target in 2014. Public capital spending fell for the third year in a row to an estimated 4.7% of GDP. This dragged down capital investments at the economy-wide level as private sector investments remained weak. Moreover, VAT revenues were again below forecast targets, falling by 2.8% in real terms compared to last year. This occurred despite the increase in retail volume turnover, suggesting a significant reduction in VAT efficiency collection.

Official preliminary data show that labor market conditions improved in 2014 as the year-end unemployment rate dropped to 6.4%, down from 7.0% at the beginning of the year. The economy created more jobs than a year before, the number of employees rising by 2.9%.

Annual harmonised consumer price inflation (HCPI) stood at 1.0% at the end of 2014, a historic low, driven by diminished inflationary expectations, relatively weak demand and a fall in oil prices. The National Bank of Romania continued to ease monetary policy throughout 2014, cutting its benchmark interest rate by a cumulative 125 basis points to 2.75%.

In 2014, the RON fell against both the EUR and the USD by 0.6%. The EUR traded within the RON 4.38-4.55 band, i.e. +/- 1.8% variation around the mean, implying a relatively low volatility.

Romanian **energy supply** rose in 2014 by 2.4% to 32.2 mn toe as economic recovery became more entrenched and domestic demand picked up. Overall, total energy imports rose by 6.1%.



2. Business segments

2.1. Exploration and Production (E&P)

2014 was the second consecutive year of marginal production increase in Romania since privatization, with good results from production optimization initiatives which successfully offset the natural decline of some key fields. At Group level, production has slightly decreased to 180.3 kboe/d, impacted by lower production in Kazakhstan. The LTIR in E&P improved to 0.40 compared to 0.48 in 2013, the lowest level since privatization, below our target and the international benchmark.

In 2014 we made the largest exploration investments since privatization. As part of OMV Petrom's exploration focus, intensive onshore and offshore drilling campaigns - both shallow and deep water - were developed in 2014 sustained by 76% seismic coverage (weighted average for onshore and offshore) of the exploration acreage.

Proven oil and gas reserves in OMV Petrom Group's portfolio stood at approximately 690 mn boe at year-end.

E&P at a glance

	2012	2013	2014
Segment sales (RON mn) ¹	12,992	13,220	12,889
EBIT (RON mn) ²	5,467	5,529	3,932
Clean EBIT (RON mn)	5,754	5,542	4,667
EBITD (RON mn)	7,521	8,018	7,201
Capital expenditures (RON mn)	3,753	4,401	5,349
Total Group production (mn boe)	66.87	66.64	65.82
thereof in Romania	62.39	62.54	62.57
Proved reserves as of December 31 (mn boe)	775	728	690
thereof in Romania	750	707	671

¹ Including inter-segment sales

² Excluding intersegmental profit elimination

Health, Safety, Security and Environment (HSSE) is E&P's first priority

The overall HSSE focus has been further strengthened in 2014 and additional improvement measures are being worked on. The Lost-Time Injury Rate (LTIR) in E&P significantly improved to 0.40 in 2014, being at the lowest level since privatization, below the target and the international benchmark. The fatality rate has been reduced by 80% from 2008 to 2014.

Clean E&P EBIT came in 16% lower compared to 2013 at RON 4,667 mn, mainly due to lower oil and NGL sales and higher production costs, which more than offset higher gas sales and favorable FX effects. The average Group realized crude price was USD 86.67/bbl, 11% lower than in 2013.

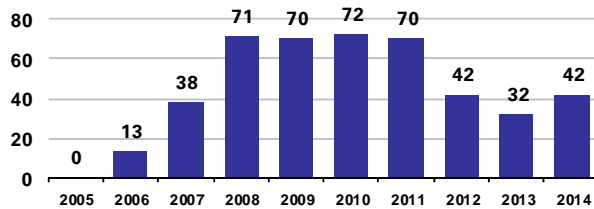
Reported EBIT in 2014 amounted to RON 3,932 mn, 29% lower compared to 2013, mainly due to higher net special charges. The latter were mostly related to impairments in Kazakhstan triggered by unsuccessful field redevelopment results in the Tasbulat, Aktas and Turkmenoi fields (TOC fields) of RON (601) mn and the restructuring provision related to personnel costs of RON (102) mn, whereas in 2013, personnel restructuring costs were only RON (13) mn.

E&P capital expenditures increased by 22% compared to 2013, to RON 5,349 mn. The investments were mainly directed towards field redevelopments, drilling and workover activities as well as to drilling activity in Neptun Block. Exploration expenditures reached RON 1,224 mn, which mainly include the capitalized drilling expenditures associated with Domino-2 and Pelican South-1 wells.

In 2014, OMV Petrom Group's hydrocarbon production amounted to 65.82 mn boe (thereof 62.57 mn boe in Romania), compared to 66.64 mn boe in 2013 as the slightly higher production in Romania could not fully offset the lower production in Kazakhstan. On average, daily oil and gas production was 180.3 kboe (thereof

171.4 kboe in Romania). Group production costs stood at USD 17.27/boe, 12% higher than in 2013, reflecting the higher production costs in Romania and lower production for sale in Kazakhstan, in spite of favorable FX rates. Production costs in Romania expressed in USD/boe were USD 16.84/boe, up 13% than in 2013, while in RON terms they increased to RON 56.32/boe, mostly due to the new construction tax introduced in 2014 and higher personnel costs.

Single year RRR (Romania)



Reserve replacement rate (RRR)

As of December 31, 2014 the total proved oil and gas reserves in OMV Petrom Group's portfolio amounted to 690 mn boe (of which Romania represented 671 mn boe), while the proved and probable oil and gas reserves amounted to 977 mn boe (of which Romania represented 930 mn boe). For the single year 2014, the Group's rate was 42% (2013: 31%), while the reserve replacement rate in Romania was 42% (2013: 32%). The Group's three-year average reserve replacement rate stood at 39% in 2014 (2013: 48%), while in Romania it came in at 39% (2013: 48%).

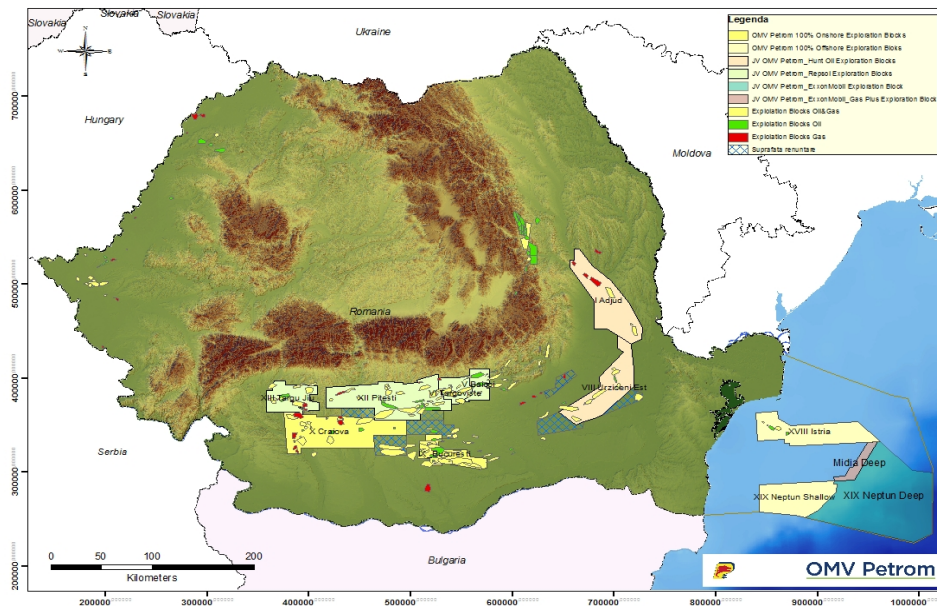
OMV Petrom was able to keep its reserve replacement rate around 40% in the last three years mainly thanks to continuous reservoir studies performed, supported by drilling programs, diversification of recovery techniques and new extensions of existing fields.

Operational highlights 2014 Romania

In September 2014, the exploration license for nine blocks covering an area of approx. 19,000 km² has been extended until September 2017 and one block was relinquished. All nine blocks currently in exploration are under a single concession agreement for exploration, development and production.

OMV Petrom operates 239 commercial oil and gas fields in Romania, from which a combined volume of 171.41 kboe/d was produced in 2014 (2013: 171.36 kboe/d).

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



Exploration

2014 was a year of highly intensive exploration drilling activity. Seismic data interpretation of the previous years campaigns, delivered attractive drilling opportunities.

13 exploration wells were spudded, out of which 10 wells completed drilling, with a success rate of 60% with the following results:

- 2 exploration wells in Mamu cluster, delivering gas and condensate production
- the Padina Nord 1 well, drilled in JV with Hunt Oil proved to be the largest oil and gas discovery in Moesian platform in the last 30 years. The well was tested and indicates a potential production of 1,200 – 2,100 boe/day from two geological layers
- the Marina 1 exploration well encountered a new oil reservoir which is currently under assessment. Depending on the decision of commercial viability, production could start over the next 3-4 years
- the 700 Burcioaia exploration well, gas discovery, is currently under assessment
- the 1610 Targu Jiu exploration well part of PEC Ticleni, gas discovery, is currently under assessment

In the deepwater sector of the Neptun block, a joint venture between OMV Petrom and EMEPRL the exploration activity further progressed with the drilling of Domino-2 which started in July. This drilling was completed in October 2014 and then the Ocean Endeavor deep water drilling rig moved and began drilling Pelican South-1. In the shallow water sector of Neptun block, which is fully operated by OMV Petrom, the 3D seismic data were further interpreted, which will allow evaluation of additional opportunities in the Black Sea.

In partnership with Repsol, two deep high pressure/high temperature (HP/HT) wells have been spudded in Baicoi and Targoviste blocks, both of them revealing the high complexity of the area and representing a significant challenge for the drillers.

Production

In 2014, OMV Petrom produced in Romania 3.89 mn t crude oil including condensate and 5.29 bcm natural gas, the equivalent of 62.57 mn boe total oil and gas. Offshore production accounted for approximately 7% of oil production and 26% of natural gas production. The daily average equivalent production has reached 171.41 kboe/d, compared to 171.36 kboe/d in 2013. New wells put on stream at the beginning of the year (in Totea and Mamu fields), continued with testing of new wells in Mamu on middle of the year, which contributed to the annual production.

A workover campaign, which commenced in early 2014 at four offshore wells, has significantly contributed to the stabilization and gradual increase of hydrocarbon production during the second half of the year. In 2014, the crude oil production obtained using enhanced oil recovery techniques accounted for approximately 25% of total domestic oil production. Heavy oil, representing crude oil with density greater than 900 kg/m³ accounted for more than 35% of total production of crude oil including condensate.

In 2014, the average crude oil production was 76.7 kboe/d, below the level achieved in 2013 of 78.4 kboe/d due to planned workovers and weather conditions.

The domestic gas production was 94.8 kboe/d, higher than last year due to the results of new wells in the Totea and Mamu fields and successful offshore workover campaigns. The internal gas consumption for upstream operations accounted for approximately 11% of total production.

Key projects in 2014

OMV Petrom's further invested in new technologies and secondary recovery methods to redevelop mature fields in Romania in order to improve oil and gas recovery rates and to stabilize production levels.

Throughout 2014, two field redevelopment projects moved to the final development phase (FRD Oprisenesti and FRD Suplac Phase 1) and another six (FD Totea Deep, FRD Lebada East, FRD Phoenix Vata Phase 1, FRD Tazlau Kliwa 1, FRD Independenta Phase 1 and FRD Istria Phase 1) moved into the execution phase. With a wider growth portfolio, counting 12 projects covering both onshore and offshore, oil as well as gas fields, additional resources were engaged to make sure these are managed with due diligence.

In December 2014, the first water injection in FRD Oprisenesti marked the close-out of the project, first step of moving into the operation phase being done. Also, within FRD Suplac Phase 1 all 25 new wells and one containerized steam boiler, were finalized and are already in production.

In the **Totea Deep** development, the most important onshore gas discovery in Romania in the last years, we have continued our drilling program, with the largest four domestic producing wells in our portfolio contributing with 10.5 kboe/d on average in 2014 versus 5.2 kboe/d in 2013.

The **FRD Phoenix Vata Phase 1** project entails drilling a total number of up to 26 oil wells in several clusters, of which more than half have been finalized and have contributed to production above expectations. The project is successfully embedding drilling technologies such as casing while drilling and the reported performance is very close to technical limit.

FRD Tazlau Kliwa 1 is a pilot project which aims to increase oil recovery in the Tazlau area in the most potential layer Kliwa 1, using pattern water injection. The scope includes 20 workovers, one sidetrack and related facilities.

Recently passed into execution phase, **FRD Independenta Phase 1** envisaged the drilling of several horizontal oil wells. Additional two workovers were performed using for the first time in OMV Petrom the string completion through linear rod pumps.

FRD Istria is an offshore field redevelopment project scheduled to be implemented in two stages. Phase 1 consisted in three sidetracks and four workovers, while in Phase 2 we will drill two additional sidetracks.

OMV Petrom's gas projects include drilling new wells and performing additional workovers aiming to maximize recovery via surface facilities more efficiently, environment friendly and of higher technical integrity. In **Lebada East NAG** we aim to compensate the natural decline by upgrading compression and ancillary facilities. In **Madulari Safety Upgrade** project and **FRD Burcioaia**, we are enhancing gas processing using dehydration technologies. Madulari is the first project in OMV Petrom to incorporate the "Solid Bed Scavenger" technology, intended to remove the hydrogen sulfides from natural gas.

Several projects progressed through the projects funnel, based on the opportunities identified within the seven Multidisciplinary Asset Reviews (MARs) which took place in 2014. These initiatives are expected to develop, gradually mature and further opportunities to be generated, also taking into account the market operating environment.

Turburea Bibesti is a success story for OMV Petrom, as the well drilled in 2014 came on stream with an oil production of ~1,000 boe/d.

With regards to near field opportunities (NFO), we continued to identify areas close to existing production fields, with eight new NFO wells drilled in 2014, out of which four wells had good results (three wells in Balaria and one well in Mamu West).

Within the Well Engineering programs, 140 activities were performed or tracked (PECs and sidetracks with workover rigs included) compared with 169 wells in 2013. A wide spectrum of operations was covered: new wells and sidetracks, production, injection, appraisal and exploration wells, onshore and offshore, operated or non-operated by OMV Petrom, sidetracks with workover rigs.

In 2014 we have achieved sound European records in Casing While Drilling application: one record set in Abramut field at casing drilling Level 2 – drilled 9 5/8" to 1,204m in one run and 2 records in Marina 1 offshore well - first offshore well with 20" Level 2 casing drilling from 153 to 892 meters, without directional control and casing drilling Level 3 with directional control.

Production enhancement contracts and Joint Ventures

Since July 2010, in order to execute its strategy of optimizing the portfolio of existing assets, OMV Petrom has entered into partnerships with international companies for production enhancement. The partnerships with Petrofac, PetroSantander and Expert Petroleum are governed by Production Enhancement Contracts (PECs) referred to as PEC Ticleni, PEC Turnu and PEC Timis, covering in total 31 mature fields, out of which 3 fields in PEC Turnu are under concession relinquishment process as of end of 2014.

The PECs stipulate that the contractors will take over and finance the operations and, together with OMV Petrom, commit to the future development of the fields that have been handed over, in order to maximize production while improving efficiency. OMV Petrom remains the sole titleholder of the concession contracts and the owner of the hydrocarbon production and the existing assets, as well as of the rights and obligations as defined by the Petroleum Act. OMV Petrom supervises the operations and remunerates the contractor based on a service fee, which varies depending on the production delivered.

Safety performance improved compared to 2013, with the LTIR decreasing from 1.2 to 0.65. Still, in 2014 three LTIs were recorded, one in each PEC. In order to continue the improvement of the performance and ensure safe operations in all PECs, an HSSE coordinator has joined the PECs and JVs team, implementing improvement measures.

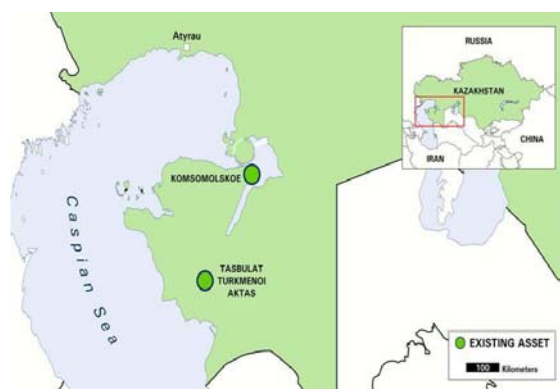
Growth initiatives continued in all PECs. In PEC Timis we further optimized the production system by installing eight electric submersible pumps and pursued with the construction of a degasolination plant as well as a gas compressor for gas losses mitigation. In PEC Turnu we continued the infill drilling campaign,

four wells have been drilled and completed while in PEC Ticleni a new exploration well, 1610 Targu Jiu, has been drilled, production testing being scheduled for early 2015.

The total annual production of PECs in 2014 was around 8.8 kboe/d, 9% higher compared to the annual production before inception. PEC Ticleni has contributed with 4 kboe/d, PEC Turnu added 2.2 kboe/d and PEC Timis added 2.6 kboe/d to the 2014 production.

International E&P operations

Currently, OMV Petrom holds development and production licenses for the TOC fields and Komsomolskoe (KomMunai field) in **Kazakhstan**. In 2014, the average oil and gas production in Kazakhstan decreased by 21%, therefore reaching 8.9 kboe/d. The main reasons for this decrease in production were the temporary suspension of production in the Turkmenoi field due to leaks in the corroded Turkmenoi pipeline, the lower performance of TOC redevelopment wells and the production natural decline.



At the **TOC fields** during the last quarter of 2014, a 3 km portion of the corroded pipeline, which caused suspension in the Turkmenoi field production, was replaced. The water injection project was almost completed. The average production at the TOC fields amounted to 3.9 kboe/d in 2014, which is 26% lower than in 2013 and is mainly due to the one and a half month suspension in production of the Turkmenoi field as well as the lower performance of the wells drilled within the TOC redevelopment project.

Picture: Location of OMV Petrom fields in Kazakhstan

At the **Komsomolskoe field** the extended water injection project was brought near to completion. In 2014, the average production in the Komsomolskoe field amounted to 5.0 kboe/d, 15% lower than in 2013 due to the delay in tying-in two wells in the Sor area and the requirement to replace electric submersible pumps in several wells.

Production in 2014	Oil and NGL		Natural gas		Total
	mn t	mn bbl	bcm	mn boe	mn boe
Romania	3.89	27.98	5.29	34.58	62.57
Kazakhstan	0.38	2.96	0.05	0.30	3.25
OMV Petrom Group	4.27	30.94	5.34	34.88	65.82

Group's portfolio proved reserves as of December 31, 2014	Oil and NGL		Natural gas		Total
	mn t	mn bbl	bcf	mn boe	mn boe
Romania	49.4	355.6	1,705.2	315.8	671.4
Kazakhstan	2.1	16.1	16.8	2.8	18.9
OMV Petrom Group	51.5	371.7	1,722.0	318.6	690.2

2.2. Gas and Power (G&P)

The Romanian gas and power market environment was challenging in 2014, but liberalization progressed. Despite the 9% drop in gas sales volumes, OMV Petrom managed to maintain a strong position in the local market, supplying more than one-third of Romania's estimated gas consumption in 2014. The net electrical output halved versus 2013 due to negative average spark spreads and the revised long-term market perspective led to partial impairments of the power assets. The focus was on strengthening the Brazi power plant's integration in the equity gas value chain.

G&P at a glance

	2012	2013	2014
Segment sales (RON mn)	4,143	4,315	4,375
EBIT (RON mn)	360	112	(818)
Clean EBIT (RON mn)	359	167	(63)
EBITD (RON mn)	450	324	49
Capital expenditure (RON mn)	221	18	3
Gas sales volumes (mn cbm) ¹	4,841	4,893	4,419
Gas sales volumes (TWh) ¹	52.2	52.7	47.7
Net electrical output (TWh) ²	1.7	2.9	1.3

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

² It includes the net electrical output generated by the Brazi power plant during commissioning phase; the plant commenced commercial operations on August 1, 2012

The G&P business registered a negative Clean EBIT of RON (63) mn in 2014 compared to RON 167 mn in 2013 largely due to the negative power business contribution mainly as a result of average negative spark spreads triggered by higher gas prices following the gas market liberalization process. In addition, the contribution of the gas business was lower compared to 2013 mainly due to lower gas sales volumes and increased storage costs (new transportation tariff and higher volumes). Reported EBIT of RON (818) mn reflected special items of RON (755) mn, mainly related to the power assets partial impairments due to revised long-term market perspective.

Legislative and regulatory updates

In terms of gas market liberalization, the roadmap enforced by the Government for the gradual increase of regulated domestic gas prices during 2013-2014 has been partly implemented. The price liberalization for the non-household sector has been finalized, while for the household sector it continued. The deadline for households' liberalization has been extended until June 30, 2021. At the end of 2014, the regulated domestic gas price was RON 89.4/MWh for non-households and RON 53.3/MWh for household consumers.

The average import quota set by ANRE for household consumers was 3% in 2014 (2013: 5%), while the import quota for regulated non-households averaged 10% (2013: 23%), significantly lower than in previous years, caused by internal gas market contraction.

In compliance with a new obligation in force as of July 15, 2014, gas producers started to sell a certain fraction of their domestic gas production on the Romanian centralized trading platforms, which has proven to be a challenge. A transportation tariff of RON ~6/MWh was enforced by ANRE as of August 1, 2014 in connection with the gas volumes injected into storage.

The liberalization of the power market for household consumers and small enterprises progressed according to the official calendar in 2014.

In November 2014, the Romanian day ahead electricity market coupled with the day ahead power markets in Hungary, the Czech Republic and Slovakia, establishing a regional market which allows higher efficiency of trading and cross-border capacity allocation, conditions for higher security of supply, higher liquidity and a more reliable market-based price.

In 2014, the quota of renewable energy sources in gross consumption was 11%, unchanged versus 2013, which led to an excess of green certificates on the market and, consequently, to the decreasing price of green certificates to the minimum regulated level of RON 130.69/MWh.

During July-December 2014, the cogeneration tax for exported electricity was abolished, while for the internal market it was reduced by 46% (from RON 18.38/MWh to RON 9.96/MWh).

Gas

In 2014, the estimated Romanian gas consumption decreased by 4%, down to 11.9 bcm (2013: 12.5 bcm), mainly due to lower demand from the chemical industry and milder winter. OMV Petrom's gas sales volumes decreased by 9%, which reflects the reduced off-take by heat and power plants compared to 2013. The company maintained its leading position in the competitive natural gas market in Romania, whilst capturing synergies from bundling electricity sales with natural gas sales.

In 2014, OMV Petrom was the first company which sold natural gas on the Romanian centralized market, which demonstrates the company's openness to utilizing this additional sales channel, particularly once its liquidity increases and prices reflect market fundamentals.

A total volume of 550 mn cbm of natural gas was injected into storage by OMV Petrom in 2014, compared to 266 mn cbm in 2013, with the storage level at the end of 2014 amounting to 405 mn cbm versus 160 mn at the end of 2013.

In 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., in line with the company's strategy of optimizing downstream operations and focusing on core business. Following this transaction, all OMV Petrom external clients in the gas business are served through the fully consolidated company OMV Petrom Gas S.R.L. (99.99% owned by OMV Petrom S.A.).

Power

According to preliminary data published by the National Institute of Statistics, the Romanian gross electricity production increased by almost 9% versus 2013, to ~64 TWh, while the national electricity consumption remained relatively stable. The preliminary export-import net balance reached the record level of 7.2 TWh, also supported by regional market coupling starting November 2014. According to preliminary data published by OPCOM, electricity prices on the Romanian day-ahead market averaged RON 154/MWh for base load and RON 187/MWh for peak load in 2014.

In 2014, OMV Petrom continued to focus on achieving operational excellence in electricity generation and maximizing its power assets availability.

In the context of average negative spark spreads over the year, the Brazi power plant generated a net electrical output of 1.2 TWh (2013: 2.7 TWh), covering ~2% of the total national electricity production in 2014 and ~6% of the balancing market (2013: ~5% of Romania's electricity production and ~9% of the balancing market) according to estimated available information. The company's focus was to strengthen the plant's integration in the equity gas value chain, while contributing to the stability of the national energy system. The operational availability of the plant in 2014 reached 96%.

With a net availability of 97%, the Dorobantu wind park generated a net electrical output of 0.08 TWh in 2014 versus 0.10 TWh in 2013. For the electricity produced and delivered to suppliers, OMV Petrom Wind Power S.R.L. received ~133,000 green certificates, half of which will become eligible for sale after January 1, 2018 (2013: ~178,000 green certificates, thereof ~32,000 eligible for sale after January 1, 2018).

2.3. Refining and Marketing (R&M)

The Refining and Marketing business continued to operate in a challenging market environment, with high international oil price levels and lower refining margins in the first half of the year (trends reversed in the second half of 2014), as well as subdued demand in the operating region.

In Refining, the modernization program of Petrobrazî was successfully completed in 2014. As part of the modernization process, the upgraded diesel hydrotreater and the fluid catalytic cracker units were commissioned during the mid-year planned refinery shutdown, with a positive impact on energy efficiency and environment. The refinery utilization rate stood at 89%, while energy consumption continued to improve. The fuel terminal network optimization program further progressed with the start of operations at Bacău terminal and by initiating modernization works at our Cluj facility.

In Marketing, the Group's market share decreased both in retail and commercial businesses, impacted by higher fuels taxation in Romania and increased competition in the operating region. Commercial sales reflected a negative trend in all products except gasoline and jet. Increasing brand awareness and customer loyalty continued to be the focus of the marketing campaigns.

R&M at a glance

	2012	2013	2014
Segment sales (RON mn)	21,750	19,308	16,755
EBIT (RON mn)	138	386	(79)
Clean CCS EBIT (RON mn) ¹	31	374	654
EBITD (RON mn)	753	958	541
Capital expenditure (RON mn)	899	827	794
Total refined product sales (kt) ²	5,004	5,222	4,807
thereof Marketing sales volumes (kt) ³	3,829	3,617	3,380
thereof: Gasoline	879	884	838
Diesel	2,258	2,259	2,085
Kerosene/Jet fuel	186	220	245
HFO	132	85	71
Number of retail filling stations	798	785	780

¹ Adjusted for exceptional, non-recurring items; clean CCS figures exclude special items and inventory holding effects (current cost of supply – CCS – effects) resulting from R&M

² Include all products sold by OMV Petrom Group

³ The figure excludes export sales which are included in total refined product sales

Clean CCS EBIT in R&M increased to RON 654 mn compared to RON 374 mn in 2013, due to higher refining margins, improved operational performance after the refinery modernization and a good marketing result.

In 2014 we registered the first year with positive results in both businesses, reflecting the company's commitment to improve operational performance, to further pursue cost discipline and optimization of the downstream business.

Clean CCS EBIT is stated after eliminating CCS effects of RON (674) mn and net special charges of RON (60) mn. **Reported EBIT** came in at RON (79) mn, compared to RON 386 mn in 2013.

Investments in R&M amounted to RON 794 mn, mostly related to the completion of the Petrobrazî modernization program performed in 2010-2014 and network optimization.

In Refining, 2014 marked the final step in delivering the Petrobrazî modernization program, the upgrade of the diesel hydrotreater and of the fluid catalytic cracker units being commissioned during the 30-day planned shutdown. In terms of the depot network optimization program, operations started at the revamped Bacău terminal and reconstruction commenced at Cluj terminal at the beginning of Q2 2014, with the aim of being finalized by the end of 2015. In addition to the modernization projects, investments in environmental, legal compliance and energy efficiency projects were pursued. The 2014 investments in the Petrobrazî refinery amounted to approximately EUR 114 mn, mostly associated with the final steps of the refinery modernization program.

Marketing investments focused on optimizing the current filling station portfolio. Upgrades were performed in a number of Petrom and OMV filling stations mainly to improve the amenities. One of the main projects in this respect was the replacement of the conventional lighting systems in 345 Petrom filling stations in Romania with a new LED based system (light emitting diode), partially financed by a grant offered by EBRD. The **indicator refining margin** increased to USD 1.89/bbl from USD (2.83)/bbl in 2013 reflecting the updated standard yield following the finalization of Petrobrazi refinery modernization and lower cost of crude.

Crude oil processed (kt) ¹	2012	2013	2014
Petrobrazi ²	3,146	3,771	3,728

¹ Including condensate

² Nominal capacity of 4.5 mn t/y until Q2 2012. Starting Q3 2012 it was streamlined to 4.2 mn t/y

Production (kt)	2012	2013	2014
Gasoline	946	1,210	1,143
Diesel	1,035	1,266	1,428
Kerosene/Jet fuel	144	185	207
HFO	350	366	309
LPG total	162	221	191
Petroleum coke	196	240	233

Sales

The turnover of the marketing business reflected the oil price environment, higher fuel taxation in Romania and increased competition in the region. OMV Petrom Group's total marketing sales amounted to 3,380 kt in 2014, 7% lower compared to 2013, driven by lower sales in both retail and commercial streams.

Group retail sales were 4% lower compared to the level of the previous year, reaching 2,970 mn liters, the negative trend being reflected in all countries. Retail sales in the domestic market reached 2,308 mn liters in 2014, 4% lower compared to 2013.

Group commercial sales amounted to 1,007 kt, 11% lower against 2013, with lower volumes in all products except gasoline and jet. In Romania, commercial volumes were 595 kt, 5% below the previous year's level (2013: 625 kt). The decrease is mainly attributable to increased competition in the market and higher sales in 2013 triggered by the planned shutdowns of other domestic refineries. Starting with the third quarter 2014, diesel sales turned around, increasing 6% in the second half of 2014 compared to 2013. The positive trend was also seen in gasoline sales in the second part of the year.

Overall market share⁷ (retail and commercial sales) in the operating region decreased by 0.6%, reaching 24%, compared with 25% in 2013 mainly affected by the challenges in the Romanian market.

Total Romanian market share⁶ (retail and commercial sales) was broadly at the same level as in 2013 (2014: 34.3%; 2013: 33.8%) mainly as a result of commercial business and product portfolio optimization, despite the 1% loss of market share in retail due to increased excise and higher competition.

In 2014, despite the negative trend in fuel sales total non-oil business turnover decreased by only 1% compared to the previous year, reflecting the improved performance and the impact of the implementation of the shop-in-shop⁸ concept and of other strategic partnerships.

Operational highlights 2014

Refining

In 2014, the main focus was on delivering the promised milestones and benefits of the Petrobrazi modernization program. During the mid-year planned refinery shutdown, the upgraded diesel hydrotreater and the fluid catalytic cracker units were commissioned. The successful completion of the modernization program added approx. USD 5/bbl to the standard profitability of the refinery prior to modernization.

⁷ OMV Petrom's estimates based on preliminary data available

⁸ Renting space within shop area of a filling station to partners

The Petrobrazi refinery utilization rate was slightly below the 2013 figure (89% in 2014 compared to 90% in 2013), reflecting the one month planned refinery shutdown.

Supply and Logistics

In March 2014, the operational activity started at the newly revamped Bacău fuel terminal, following the two year reconstruction period. At the beginning of the second quarter of the year 2014, the revamp works at the Cluj terminal were initiated. This project is part of a modular design concept which will improve the performance by maximizing service life and reducing operational costs. The commissioning of the revamped terminal is expected at the end of 2015.

This project is part of a broad investment program of six modern terminals in Romania: three new terminals (Jilava, Brazi and Işalnița - all of them in operation) and three revamped terminals (Bacău already in operation).

Marketing

In Marketing, the main focus in 2014 was to maintain market share in the retail business, concentrating on providing best-in-class customer services as well as further diversifying the existing range of customer services (e.g. money transfer, car insurances, utilities payments, postal services) within OMV filling stations functioning under the Service Corner concept.

In Romania, the main focus in 2014 was to secure market leadership with a two brands retail strategy: the international premium brand - OMV, and the national Romanian brand - Petrom, positioned as value-for-money brand. Average fuel sales per filling station were slightly lower in 2014 due to decreased retail volumes triggered by higher fuels taxation and increased competition. In Romania, the average throughput per station was 4.22 mn liters compared to 4.41 mn liters per station in 2013, while on Group level it decreased to 3.76 mn liters in 2014 (2013: 3.89 mn liters per station).

In Romania, in order to increase brand awareness and customer loyalty, the "Romanian Achievements Collection" continued in the Petrom filling stations, encouraging the purchase of Romanian products. Furthermore, a number of Petrom filling stations were further revamped with a new refreshed outlook, together with an effective communication campaign which led to an increase in the Petrom brand awareness.

The commercial business unit within Marketing continued to optimize its operations in a challenging market environment with a focus on its business-to-business activities. The multi-channel approach (using different channels to reach our commercial customer target groups) has been optimized for the diesel and aviation businesses in Romania, strengthening sustainable profitability.

Affiliated companies

Regarding the filling stations network, OMV Petrom pursued further optimization of its portfolio, mainly in Bulgaria. Affiliated companies' sales development followed the same decreasing trend as a result of increased local competition and the difficult economic environment.

Number of retail filling stations per country	2012	2013	2014
Romania	546	545	544
Republic of Moldova	98	86	86
Bulgaria	93	93	89
Serbia	61	61	61
Total	798	785	780

Prices

OMV Petrom fuel prices have a dynamic evolution based on international fuels quotations, namely Platts Mediterranean, as well as competition in the market. In addition, prices are influenced by the fiscal policy and the exchange rate.

As the volatility of quotations is extremely high and an immediate reflection in product prices would make the market unstable, OMV Petrom fuels prices only reflect the trend, not the peaks.

3. Report of the Governing Bodies

3.1. Report of the Supervisory Board

Core activities

OMV Petrom S.A. (hereinafter also referred to as “OMV Petrom” or the “Company”) is an integrated oil and gas company operating mainly in Romania, but also indirectly via its subsidiaries in Kazakhstan (exploration and production activity) and in the neighboring countries of Bulgaria, the Republic of Moldova and Serbia (marketing activity). OMV Petrom S.A. is also the parent company of all companies consolidated within OMV Petrom Group. A detailed structure of the consolidated companies in OMV Petrom Group as of December 31, 2014 is presented under the corresponding note to the consolidated financial statements, included in the last chapter of this report.

Aim of the report

Transparency and accountability towards our shareholders is a well-established practice that has been put in place in the Company. Hence, the Supervisory Board continued to devote close attention to the strategic focus and business performance of the Company in all areas of activity during 2014.

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

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

- visiting our corporate website, www.omvpetrom.com, which is continuously updated;
- contacting the Company directly – shareholders and equity analysts can address their requests to our Investor Relations department;
- asking questions at the General Meetings of Shareholders, concerning the items to be debated during such meetings.

Corporate governance

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

The Company has always conferred great importance upon the principles of good corporate governance and adhered to the principles laid down in the Code of Corporate Governance issued by the Bucharest Stock Exchange.

In accordance with the aforementioned principles, the Company is managed in an atmosphere of openness, based on honest discussions between the Executive Board and the Supervisory Board, as well as within each of these corporate bodies. Members of the aforementioned corporate bodies have always paid due attention to their duty of care and loyalty. Hence, the Executive Board and the Supervisory Board have passed their resolutions as required for the welfare of the Company, primarily in consideration of the interests of shareholders and employees.

Governance structures

Since April 2007, the Company is managed in a two-tier system, by the Executive Board, which runs the daily operations under the supervision and control of the Supervisory Board.

In the two-tier system, the management of the Company falls under the competence of the Executive Board, which manages the business of the Company according to the relevant laws and the Company's Articles of Association.

In accordance with the statutory provisions, by virtue of the mandate granted by the Company's shareholders, the Supervisory Board has the power to control the management of the Company. The main duties set forth under the Company Law for the members of the Supervisory Board are: (i) to exercise the continuous supervision of the activity of the Executive Board; (ii) to appoint and to revoke the members of the Executive Board; (iii) to verify the compliance of the management of the Company with the laws, the Company's Articles of Association and the resolutions of the General Meeting of Shareholders; (iv) to present a report regarding its supervision activity at least once a year to the General Meeting of Shareholders; (v) to represent the Company in relation with the Executive Board.

The members of the Executive Board and of the Supervisory Board are under the obligation to fulfill their responsibilities and exercise their powers in the best interest of the Company and all its shareholders.

Supervisory Board members

In accordance with the Company's Articles of Association, the Supervisory Board of the Company comprises nine members.

During 2014, the Supervisory Board consisted of the following members: Gerhard Roiss (President of the Supervisory Board), David Charles Davies (Deputy President of the Supervisory Board), Manfred Leitner, Hans-Peter Floren, Johann Pleininger, Joseph Bernhard Mark Mobius, Lucian-Dan Vladescu, George Băeșu and Riccardo Puliti.

The Ordinary General Meeting of Shareholders held on April 29, 2014 appointed Johann Pleininger as member of the Supervisory Board until 28 April 2017. Until that moment, Johann Pleininger had been interim member of the Supervisory Board starting September 18, 2013, following Jaap Huijskes's waiver of his mandate as Supervisory Board member.

Following Hans Peter Floren's waiver of the mandate, Cristoph Trentini was appointed starting January 9, 2015 as interim member of the Supervisory Board until the next Ordinary General Meeting of Shareholders.

As required by Company Law, none of the Supervisory Board members holds an executive position within the Company.

Executive Board members

The Executive Board of the Company comprises five members as of the date of this report.

During 2014, the Executive Board of the Company consisted of the following members: Mariana Gheorghe (President of the Executive Board and Chief Executive Officer), Andreas Matje (Executive Board member and Chief Financial Officer), Gabriel Selischi (Executive Board member in charge with Exploration and Production activity), Neil Anthony Morgan (Executive Board member in charge with Refining and Marketing activity), Cristian Nicolae Secoșan (Executive Board member in charge with Gas and Power activity).

On March 24, 2015, the Supervisory Board appointed the following OMV Petrom Executive Board members for a four year term starting April 17, 2015 until April 17, 2019: Mariana Gheorghe (Chief Executive Officer and President of the Executive Board); Andreas Matje (Chief Financial Officer and Executive Board member); Gabriel Selischi (Executive Board member in charge with the Upstream activity); Neil Anthony Morgan (Executive Board member in charge with the Downstream Oil activity); Lăcrămioara Diaconu-Pințea (Executive Board member in charge with the Downstream Gas activity)⁹.

⁹ On March 24, 2015, the Supervisory Board decided to rename OMV Petrom's business divisions with effect from April 1, 2015 as follows: Exploration and Production division to become Upstream; Refining and Marketing division to become Downstream Oil; Gas and Power division to become Downstream Gas.

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

Supervisory Board activity during 2014

In 2014, the Supervisory Board thoroughly reviewed the position and prospects of the Company and performed its functions according to the relevant laws, the Articles of Association, the applicable Corporate Governance Code and the relevant internal regulations. We coordinated with the Executive Board on important management matters, monitored their work, and we were involved in the Company's key decisions. Where required by law, the Articles of Association, or internal regulations, the Supervisory Board adopted resolutions following a comprehensive analysis.

During the year under review, the Supervisory Board members met five times in person. Moreover, for specific and particularly urgent plans and projects arising between the actual meetings, the Supervisory Board submitted their approval in writing on three occasions. All members of the Supervisory Board attended more than half of the meetings of the Supervisory Board in 2014. The average participation rate was over 90%.

In line with the Collective Labor Agreement, invitations to attend the Supervisory Board meetings were extended to trade union representatives and the meeting agenda and related documents were provided in a timely manner in that respect.

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

March 25 Supervisory Board meeting

At our regular meeting of March 25, we received reports and were consulted by the Executive Board on market and business developments as well as on corporate developments that had occurred since the previous meeting.

During the Supervisory Board meeting of March 25, we thoroughly discussed the 2013 annual consolidated financial statements as well as the respective management reports.

The 2013 annual consolidated financial statements were duly adopted following the recommendation of the Audit Committee, which had conducted an in-depth examination of the documents together with the auditors and based also on the auditors' letter to the management. Additionally, during the meeting we discussed and decided, based on the analysis and proposal of the Audit Committee, the appointment of Ernst & Young Assurance Services S.R.L. as financial auditor of the OMV Petrom Group. Based on the results achieved in 2013 and the low gearing ratio, another topic on which we focused during the meeting was the distribution of dividends, where we approved the management proposal to distribute the amount of RON 1,745 mn as dividends.

Moreover, during the same meeting, we also approved the convening of the Ordinary General Meeting of Shareholders on April 28, 2014 and the related materials. In addition we also approved a Business Transfer Agreement concerning the transfer of Global Solutions organizational entity's business from OMV Petrom to OMV Petrom Global Solutions S.R.L., including the assets, know-how, relevant liabilities, relevant contracts and the employees attached to such Global Solutions activity.

April 11 Supervisory Board (via circulation)

On April 11, via a circular motion, we approved the acceleration of the Neptun Deep exploration program in the period 2015-2016 by adding one deepwater exploration well to the existing program.

April 29 Supervisory Board meeting

At our regular meeting of April 29, we received reports and were consulted by the Executive Board on market and business developments as well as on corporate developments that had occurred since the previous meeting.

May 27 Supervisory Board (via circulation)

On May 27, via circulation, we agreed the reply proposal to a letter addressed by the Romanian Department of Energy to us.

June 13 Supervisory Board meeting

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

During the same meeting, we approved the prefinancing for the second phase of Istria field redevelopment.

September 23 Supervisory Board meeting

At its meeting on September 23, the Supervisory Board reviewed the reports received from the Executive Board and we were consulted with regard to market and business developments as well as the recent corporate developments of the Company.

Likewise, on the same day the Supervisory Board approved some investments relating to the Company's envisaged activities in the Black Sea.

During the same meeting, we also resolved upon two E&P projects, namely Field Redevelopment Bustuchin and Field Redevelopment Tazlau KL-I.

November 18 Supervisory Board meeting

During this meeting, the Supervisory Board reviewed the reports received from the Executive Board and we were consulted with regard to market and business developments as well as to corporate developments of the Company occurred since the previous meeting.

Likewise, during the same meeting we took note of the preliminary 2015 budget and of OMV Petrom's transactions with related parties in the first half of 2014.

Towards the end of December, by circular resolution, we approved the budget for 2015 subject to further updates at the beginning of 2015 due to high volatility of oil prices. Likewise, on the same occasion we took note of some updates regarding three E&P investment projects.

In all our meetings held in 2014, the Executive Board informed us about the status of the process for the share capital increase of OMV Petrom by incorporating the value of plots of land received in administration and/or use from the Romanian State for which OMV Petrom obtained / is in the process to obtain the land ownership certificates as well as about the constant dialog between the Company and the Romanian State via its authorized representative in order to clarify the pending issues.

The Audit Committee

An Audit Committee comprised of four Supervisory Board members is established to provide assistance to the Supervisory Board in the area of risk management and financial reporting. In line with Company Law, the Audit Committee also includes members that have the necessary financial, audit and accounting expertise.

As of the date of this report, the four members of the Audit Committee are: David Charles Davies, Manfred Leitner, George Băeșu and Riccardo Puliti.

In 2014, the Audit Committee met three times. On these occasions, the committee reviewed and prepared the adoption of the annual accounts and the proposal for the allocation of profit. In addition, the Audit Committee supervised OMV Petrom's risk management process and its result and monitored the reports delivered by internal auditors including internal audit plan for 2015. The committee also prepared a proposal of an independent financial auditor to the Supervisory Board and to the General Meeting of Shareholders.

External auditor

Ernst & Young Assurance Services S.R.L. (EY) was OMV Petrom Group's independent auditor in 2014. A proposal for the reappointment of EY as OMV Petrom Group's auditor will be submitted to the next Ordinary General Meeting of Shareholders to be held on April 28, 2015.

Annual financial statements

EY audited the 2014 financial statements, reviewed the conformity of the annual report with the financial statements and issued an unqualified audit opinion.

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

The consolidated financial statements were approved in the Supervisory Board meeting of March 24, 2015 in line with the Audit Committee's recommendation and will further be submitted for approval in the Ordinary General Meeting of Shareholders to be held on April 28, 2015.

Financial reporting in compliance with international standards

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

Separate financial statements of the Company for the year ended December 31, 2014 are also prepared in accordance with IFRS, as the Ministry of Finance Order no. 1286/2012 stipulates that Romanian listed companies must prepare financial statements in accordance with IFRS as endorsed by the European Union, starting with the year ended December 31, 2012.

Dividend

The Supervisory Board has accepted the Executive Board's proposal to the Ordinary General Meeting of Shareholders to pay a dividend of RON 0.0112 per share, corresponding to a payout ratio of 30% of the net profit recorded in 2014. The proposal is subject to the approval of the forthcoming Ordinary General Meeting of Shareholders on April 28, 2015.

Corporate Governance

The Supervisory Board also approved the Directors' Report which includes the Corporate Governance Report. OMV Petrom adheres to and complies with the vast majority of the provisions set forth in the Corporate Governance Code issued by the Bucharest Stock Exchange. The Corporate Governance Code's requirements are broader than the legal requirements for listed companies.

We thank our shareholders for their confidence in OMV Petrom. The Company continued its successful path of development in 2014 through difficulties caused by the effects of the fragile global economic environment.

To this end, the Supervisory Board would like to convey their appreciation to the Executive Board, managers, employees and trade union representatives for their commitment and hard work. They successfully met the challenges of a demanding 2014 and achieved excellent results. We would also like to show our appreciation to the clients and business partners of our Company. Thanks to the sound operational performance and financial position, the Supervisory Board is confident that the Company is best positioned to surmount further challenges ahead and unlock its full potential in the years to come.

Bucharest, March 24, 2015

Gerhard Roiss
President of the Supervisory Board



3.2. Directors' report

OMV Petrom Group financials (RON mn)	2013	2014	Δ(%)
Sales revenues	24,185	21,541	(11)
Earnings before interest and taxes (EBIT)	5,958	3,338	(44)
Net income	4,824	2,100	(56)
Net income attributable to stockholders	4,821	2,103	(56)
Cash flow from operations	8,048	6,830	(15)
Capital expenditures	5,303	6,239	18
Employees at the end of period	19,619	16,948	(14)

In 2014, OMV Petrom generated an operating result (EBIT) of RON 3,338 mn, 44% below previous year's level, mainly due to the impact of lower selling prices for petroleum products following the decrease of international quotations and the impairments in the G&P segment and in the E&P segment (Kazakhstan). The introduction of the construction tax and higher additional tax on natural gas sales in Romania further negatively affected the EBIT of the year. Net special charges totalled RON (1,592) mn, mainly related to the impairment in Kazakhstan triggered by unsuccessful field redevelopment results in the TOC fields and the impairment of the Brazi power plant due to the revised long-term market perspective.

The return on average capital employed¹⁰ (ROACE) stood at 7.6% while Clean CCS ROACE was 13.6%. The gearing ratio was 3%, helped by the low level at the beginning of the year as well as the good cash flow from operations.

In 2014, we remained the largest investor in the energy sector in Romania with capital expenditures of RON 6,239 mn, 18% higher than in 2013, mostly dedicated to our E&P projects.

In **E&P**, for the second year in a row since privatization, we successfully achieved a slight yearly increase in hydrocarbon production in Romania, while at Group level, production was broadly stable. The natural decline of our mature hydrocarbon fields was counterbalanced by the good results of optimization initiatives including workover activities and drilling of new wells. Production in Kazakhstan dropped as an effect of technical constraints in the TOC fields.

In exploration, in 2014 we have intensified our activity, with a focus on offshore exploration drilling. In the deepwater sector of the Neptun block, in joint venture with EMEPRL, we progressed further the exploration activity, with the drilling of Domino-2. This well started in July and was completed in October 2014 in order to determine the commercial viability of the Domino discovery. Drilling sequence continued with Pelican South-1 exploration well.

In the shallow waters of the Black Sea, we have made the Marina 1 oil discovery, which is currently under assessment.

Onshore, we made the largest oil and gas discovery in the Moesian platform during the last 30 years with the Padina Nord 1 well, drilled in JV with Hunt Oil. The well was tested and indicates a potential production of 1,200 – 2,100 boe/day from two geological layers.

The exploration license for nine blocks covering an area of approx. 19,000 km² has been prolonged until September 2017 and one block was relinquished. All nine blocks currently in exploration are under a single concession agreement for exploration, development and production. OMV Petrom has entered into partnerships with Hunt Oil for two blocks, and respectively with Repsol for four blocks.

In **G&P**, OMV Petrom's gas sales volumes reached 4.4 bcm, supplying more than one-third of Romania's estimated gas consumption in 2014. In line with our strategy to optimize downstream operations, we sold the 28.59% interest in the non-core gas distribution and supply company Congaz S.A. to GDF SUEZ Energy

¹⁰ For definitions of these ratios please refer to page 71, section "Abbreviations and definitions"

Romania S.A. in 2014. The power business generated a total net electrical output of 1.3 TWh (accounting for ~2% of the national electricity production), mostly from the Brazi power plant.

In **R&M**, 2014 was the first year after privatization with positive Clean CCS EBIT contribution from both businesses, supported by increased refining margins, improved operational performance after the refinery modernization and good marketing result.

Following the finalization of the Petrobrazi refinery modernization program in Romania, the opportunity has been taken to adapt the standard yield for the calculation of the indicator refining margin in Q3/14. The successful completion of this program adds approx. USD 5/bbl to the standard profitability of the refinery prior to modernization.

The utilization rate for Petrobrazi refinery stood at 89%, reflecting the one month planned refinery shutdown in Q2/14. Last year, we also started operations at Bacău fuel terminal and began reconstruction works at the Cluj terminal, both part of the fuel terminal network optimization program.

In Marketing, total sales volumes decreased by 7% compared with 2013, affected by increased taxation in Romania and higher competition in our operating region. The Group market share stood at 24%, broadly in line with 2013.

Earnings before interest and taxes (EBIT)

EBIT (RON mn)	2013	2014	Δ %
Exploration and Production ¹	5,529	3,932	(29)
Gas and Power	112	(818)	n.m.
Refining and Marketing	386	(79)	n.m.
Corporate and Other	(97)	(151)	55
Consolidation: elimination of intercompany profits	29	454	n.m.
OMV Petrom Group EBIT	5,958	3,338	(44)

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

In **E&P**, EBIT decreased by 29% compared to 2013, to RON 3,932 mn, due to lower oil and NGL sales and higher special charges mainly related to impairments in Kazakhstan triggered by unsuccessful field redevelopment results in the TOC fields.

Total Group hydrocarbon production in 2014 was 180.3 kboe/day or 65.82 mn boe, slightly below 2013. **Total oil, gas and NGL production in Romania** totalled 62.57 mn boe, slightly higher compared to the previous year. Domestic crude oil production was 27.98 mn bbl, 2% below the value from 2013, due to planned workovers and weather conditions. Domestic gas production reached 34.58 mn boe, 2% higher compared to 2013. **Oil and gas production in Kazakhstan** decreased by 21% to 3.25 mn boe, as an effect of technical constraints. **Group sales volumes** were slightly lower compared to the 2013, supported by the higher gas sales in Romania.

In **G&P**, EBIT decreased to RON (818) mn from RON 112 mn in 2013, reflecting special charges of RON (755) mn mainly related to impairment of the Brazi power plant as a consequence of revised long-term market perspective. The **gas** business contribution continued to fall compared with 2013 due to lower volumes sold and increased storage costs. The **power** business contribution also declined compared to 2013 as a result of average negative spark spreads triggered by higher gas prices and slightly lower average electricity price.

In **R&M**, EBIT decreased to RON (79) mn as a result of lower international quotations which led to a significant adjustment to net realizable value of crude oil and petroleum products. This adjustment was done for segmental reporting purposes, and was released in Consolidation line, having a positive effect, as on Group level cost of inventories is covered by realisable value. The special charges related to impairment of marketing assets in the Republic of Serbia at the amount of RON (63) mn also had a negative impact in reported EBIT. The increased refining margin, improved operational performance after the refinery modernization and good marketing result partially compensated the negative effects mentioned above. The **indicator refining margin** increased to USD 1.89/bbl, from USD (2.83)/bbl in 2013 reflecting the updated standard yield following the completion of the Petrobrazi refinery modernization program and lower cost of

crude. The Petrobrazî refinery **utilization rate** stood at 89% reflecting the one month planned refinery shutdown from Q2/14.

EBIT in the **Corporate and Other** (Co&O) segment amounted to RON (151) mn, deteriorated compared to RON (97) mn in 2013.

Notes to the income statement

Summarized income statement (RON mn)	2013	2014	Δ %
Sales revenues	24,185	21,541	(11)
Direct selling expenses	(646)	(480)	(26)
Cost of sales	(15,485)	(15,815)	2
Other operating income	298	316	6
Selling and administrative expenses	(1,284)	(1,267)	(1)
Exploration expenses	(423)	(156)	(63)
Other operating expenses	(687)	(801)	17
Earnings before interest and taxes (EBIT)	5,958	3,338	(44)
Net financial result	(259)	(429)	66
Taxes on income	(875)	(810)	(7)
Net income	4,824	2,100	(56)
Less net income / (loss) attributable to non-controlling interests	3	(3)	n.m.
Net income attributable to stockholders of the parent	4,821	2,103	(56)

OMV Petrom is an integrated oil and gas company. As oil produced by the E&P segment is mainly processed at the Petrobrazî refinery, the R&M business segment represents the largest share of the Group's consolidated sales.

Compared to 2013, **consolidated sales revenues** decreased by 11% to RON 21,541 mn mainly due to lower crude and petroleum products sales that more than offset higher sales of natural gas in 2014. After the elimination of intra-group transactions of RON 12,028 mn, the contribution of the **E&P** segment to consolidated sales revenues was RON 861 mn or about 4% of the Group's total sales revenues (2013: RON 1,108 mn). After elimination of intra-group sales, the **G&P** segment's contribution was RON 4,014 mn or approximately 19% of total sales (2013: RON 3,880 mn). Sales to external customers in the **R&M** segment amounted to RON 16,602 mn or 77% of total consolidated sales (2013: RON 19,128 mn).

Sales to external customers are split by geographical areas on the basis of where the risks and benefits are transferred to the customer. Romania and Central and Eastern Europe represent the Group's most important **geographical markets**. Sales in Romania were in amount of RON 17,140 mn or 80% of the Group's total sales (2013: RON 18,964 mn) and sales in the rest of Central and Eastern Europe were RON 4,334 mn or 20% of Group sales (2013: RON 4,222 mn).

Direct selling expenses followed the decline in sales revenues, with a reduction from RON 646 mn in 2013, to RON 480 mn in 2014. **Cost of sales**, which include variable and fixed production costs, as well as costs of goods and materials employed, increased by 2% to RON 15,815 mn. Higher impairments, mainly in relation to the Brazi power plant in G&P and to one of the Kazakhstan assets in E&P, as well as higher taxes, fully offset the lower cost of goods sold. **Other operating income** slightly increased by 6%, influenced by the positive impact from retirement obligation reassessment and the gain from transfer of assets to the newly set-up associate OMV Petrom Global Solutions in 2014; last year's effect was also positive, supported by damages received in relation with termination of land sales agreements and revenues from insurance

indemnities. **Selling and administrative expenses** of RON 1,267 mn slightly decreased by 1%, being influenced by higher storage costs in 2014, while 2013 was affected by the sale of Petrom LPG subsidiary.

Exploration expenses decreased by 63% to RON 156 mn, as 2013 figures were influenced by the largest 3D seismic campaign in the Romanian sector of the Black Sea.

Other operating expenses increased by 17% compared to the 2013 value of RON 687 mn, largely affected by higher restructuring provisions.

The net financial result shows a loss of RON (429) mn and has worsened in comparison with the previous year (2013: loss of RON (259) mn), mainly as a result of late payment interest for taxes, partially offset by FX gains following USD appreciation versus RON.

Taxes on income amounting to RON 810 mn in 2014 were 7% lower compared to 2013. The effective tax rate increased to 28% (2013: 15%), being negatively impacted by non-deductible expenses related to impairment of fixed assets in Kazakhstan and by late payment interest in relation to fiscal reviews.

Capital expenditure

Capital expenditure (RON mn)	2013	2014	Δ (%)
Exploration and Production	4,401	5,349	22
Gas and Power	18	3	(82)
Refining and Marketing	827	794	(4)
Corporate and Others	57	92	61
Total capital expenditure	5,303	6,239	18
+/- Other adjustments ¹	105	1,292	n.m.
- Investments in financial assets	0	(45)	n.m.
Additions according to statement of non-current assets (intangible and tangible assets)	5,408	7,486	38
+/- Non-cash changes ²	(413)	(1,576)	282
Cash outflow due to investments in intangible and tangible assets	4,995	5,910	18
+ Net inflow from sale/investment in subsidiaries, non-current assets and other financial assets	(101)	(251)	149
Net cash used for investing activities	4,895	5,658	16

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

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

Capital expenditure increased to RON 6,239 mn (2013: RON 5,303 mn), due to substantially higher investments in E&P.

Investments in **E&P**, at RON 5,349 mn (2013: RON 4,401 mn), represented 86% of the total figure for 2014 and were focused on activities related to drilling development wells, field redevelopment initiatives, workover activities and sub-surface operations, surface facilities, as well as investments related to the Black Sea projects. Capital expenditure in the **R&M** segment of RON 794 mn (2013: RON 827 mn) accounted for 13% of 2014 Group total investments. In Refining, investments were mainly related to the planned Petrobrazi refinery shutdown for performing the works associated with the final milestones of the modernization program. In addition, investment funds were also directed to efficiency projects, as well as to legal and environmental compliance projects. Corporate & Other (**Co&O**) segment investments amounted to RON 92 mn (2013: RON 57 mn), mainly referring to investments directed to IT projects and the financial investment in the newly created OMV Petrom Global Solutions S.R.L., a service center which provides multiple support services exclusively to OMV Group companies.

Balance sheet

Summarized balance sheet (RON mn)	2013	%	2014	%
Assets				
Non-current assets	34,560	86	37,243	86
Intangible assets and property, plant and equipment	31,474	79	33,947	79
Investments in associated companies	43	0	35	0
Other non-current assets	2,166	5	2,213	5
Deferred tax assets	877	2	1,048	2
Current assets	5,487	14	5,882	14
Inventories	1,996	5	2,250	5
Trade receivables	1,429	4	1,424	3
Other current assets	2,062	5	2,208	5
Equity and liabilities				
Total equity	26,642	67	27,005	63
Non-current liabilities	8,238	21	9,960	23
Pensions and similar obligations	304	1	283	1
Interest-bearing debts	1,254	3	1,589	4
Decommissioning and restoration obligations	5,778	14	7,255	17
Provisions and other liabilities	891	2	833	2
Deferred tax liabilities	11	0	0	0
Current liabilities	5,167	13	6,160	14
Trade payables	2,958	7	2,899	7
Interest-bearing debts	189	0	274	1
Provisions and other liabilities	2,020	5	2,987	7
Total assets/ equity and liabilities	40,047	100	43,125	100

Total assets increased by RON 3,078 mn to RON 43,125 mn. The increase in **intangible assets and property, plant and equipment** by RON 2,473 mn is the main driver of the net increase of non-current assets by RON 2,683 mn up to RON 37,243 mn. Additions to intangible assets and property, plant and equipment (RON 7,486 mn) exceeded the total of depreciation, amortization and impairments, as well as disposals by RON 2,473 mn. The ratio of intangible assets and property, plant and equipment to total assets amounted to 79% (2013: 79%).

The upward development in **current assets**, of RON 395 mn, is caused mainly by the RON 254 mn increase in inventories, due to higher gas in storage and higher stock of petroleum products, following the decline in sales and increased levels of compulsory stock. The increase in **other current assets** was mainly the result of prepayments for carbon emission certificates, in accordance with legal requirements, offset by reduction in cash and cash equivalents.

The increase in **total equity** by RON 364 mn was the result of the net profit generated in the current year, partially offset by the dividends distributed for the 2013 financial year (RON 1,745 mn). The equity ratio slightly decreased to 63% (2013: 67%).

The increase in **interest-bearing debts** (both **long term and short term**) by RON 420 mn is mainly related to a new loan agreement concluded by Kom Munai LLP subsidiary with the EBRD in September 2014 for a total amount of USD 200 mn (out of which USD 142 mn was drawn at year end), for refinancing of intra-group loans and future capital expenditure purposes.

The Group's **liabilities other than interest bearing debt** (both **long term and short term**) increased by RON 2,295 mn, mostly due to higher decommissioning provisions by approx. RON 1,398 mn, increased liabilities in connection with investment activities (mainly in the Black Sea) and the set-up of provisions following fiscal controls performed in Romania and Kazakhstan.

Gearing ratio

OMV Petrom Group's **net debt** shows an increase from RON 332 mn as of December 2013 to RON 890 mn as of December 2014. Consequently, as of December 31, 2014, the **gearing ratio** increased to 3.3%, from 1.2% in December 2013.

Cash flow

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

Cash flow from operating activities decreased by RON 1,218 mn or 15% compared to 2013, reaching RON 6,830 mn. The reconciliation of profit before taxation for the year to the cash flow from operating activities (before changes in working capital) resulted in a net upward adjustment of RON 4,240 mn for 2014 (2013: RON 2,426 mn), mainly deriving from depreciation, amortization and net impairment of RON 4,806 mn (2013: RON 3,355 mn) and net increase in provisions (including decommissioning and restoration obligations and other provisions for risks and charges) of RON 257 mn (2013: decrease of RON 60 mn). The net gain on disposal of non-current assets, Group companies and transfer of business, together with other non-cash adjustments led to an increase of RON 165 mn (2013: increase of RON 101 mn). Net interest and tax on profit paid generated a cash outflow of RON 988 mn (2013: cash outflow of RON 969 mn).

In 2014, net working capital generated a cash outflow of RON 320 mn (2013: cash outflow of RON 77 mn). The main contributors to the movements are an increase in inventories by RON 315 mn (2013: decrease by RON 146 mn), increase in receivables by RON 152 mn (2013: decrease by RON 340 mn) and an increase in liabilities by RON 147 mn (2013: decrease by RON 562 mn).

Cash outflows for investments in non-current assets of RON 5,955 mn (2013: RON 4,995 mn) were partially offset by proceeds from disposals of RON 297 mn (2013: RON 101 mn). **Net cash outflow from investment activities** totalled RON 5,658 mn (2013: RON 4,895 mn).

Cash inflows from the net increase of short and long-term borrowings amounted to RON 397 mn (2013: outflow RON 837 mn). Cash outflows for dividend payments amounted to RON 1,731 mn in 2014 (2013: RON 1,574 mn). **Net cash outflow from financing activities** amounted to RON 1,334 mn (2013: outflow RON 2,412 mn).

Risk management

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

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

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

In 2014, OMV Petrom has implemented together with the Institute of Risk Management UK an internal company-wide training program called "Petrom Risk Academy" which contributed to the enhancement of the risk management competences within top and middle management, as well as within employees without managerial responsibilities. This program has won an International Award for Commitment to Learning and Development at the IRM Global Risk Awards 2015. Through its risk management process, OMV Petrom secures its liquidity and long-term sustainability, and decreases the uncertainty over its strategic objectives and financial targets.

OMV Petrom's Enterprise Wide Risk Management (EWRM) system is recognized via various benchmarks of external consultants as part of best practice at international level. The EWRM system actively and formally pursues the identification, analysis, evaluation and treatment of all risks (market and financial, operational and strategic) in order to manage their effects on the company's cash flow up to an acceptable level agreed as per the risk appetite.

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

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

The objective of OMV Petrom's risk management system is to secure its capacity to deliver positive economic value added for a medium-term horizon by managing the company's risks and their potential cash flow impact within the limits of the risk appetite. High potential single event risks as well as Long term-strategic risks are also identified and managed consistently.

The risk categories currently used within OMV Petrom's EWRM system are organized in market and financial, operational and strategic categories, containing, among others, also market, financial, project, process, health, safety and security, tax, compliance, personnel, legal, regulatory and reputational risks.

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

OMV Petrom's key financial and non-financial exposures are commodity market price risk, foreign exchange risk and single event hazard operational risks.

As regards to **market price risk**, OMV Petrom is naturally exposed to the price-driven volatility of cash flows generated by production, refining and marketing activities associated with crude oil, oil products, gas and electricity. Market risk has core strategic importance within OMV Petrom's risk profile and liquidity. The market price risks of OMV Petrom commodities are closely analyzed, quantified and evaluated. In 2014, no financial instruments were used for commodity hedging.

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

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

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

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

For the purpose of assessing **liquidity risk** in the short term, the budgeted operating and financial cash inflows and outflows throughout OMV Petrom are monitored and analyzed on a monthly basis in order to establish the expected net change in liquidity. This analysis provides the basis for financing decisions

and capital commitments. For mid-term risks, to ensure that OMV Petrom remains solvent at all times and retains the necessary financial flexibility, liquidity reserves in form of committed credit lines are maintained.

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

In 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 in 2014.

OMV Petrom's consolidated risk profile is regularly reported in comparison with the company's risk appetite for the Executive Board's approval and for the Audit Committee's information. In 2014, in March and October, the consolidated risk profile was reported and approved by OMV Petrom's Executive Board in accordance with the company's risk appetite and was also presented for information to the Audit Committee which took notice of the information.

Internal control

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

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

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

OMV Petrom's internal control system framework consists of the following elements:

Element	Description
Internal control environment	The existence of a control environment forms the basis for an effective internal control system. It consists of the definition and adherence to group-wide values and principles (e.g. business ethics) and of organizational measures (e.g. clear assignment of responsibility and authority, commitment to competence, signature rules and segregation of duties).
Assessment of process and compliance risks	Generally all business, management and support processes are within the scope of the internal control system. They are assessed to identify risky and critical activities as well as Process and Compliance risk.
Risk mitigation via control activities	Control activities and measures (such as segregation of duties, checks, approvals, IT access rights) are defined, implemented and performed to mitigate significant process and compliance risks.
Documentation and information	Related duties include the documentation of main processes and procedures containing a description of key control activities performed.
Monitoring and audit	Management and Internal Audit evaluate the effective implementation of the internal control system.

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

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

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

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

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

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

Subsequent events

Please refer to Note 36 in the Consolidated Financial Statements.

Outlook 2015

Market, regulatory and fiscal environment

For 2015, we expect the **Brent** oil price to average between USD 50-60/bbl. The Brent-Urals spread is anticipated to stay relatively tight.

The **gas and power markets and regulatory framework** are undergoing continuous changes that may adversely impact the company's financial and operating results.

In 2015, **gas** demand in Romania is not expected to recover, which will lead to increased competition and further margin pressure.

Regulated gas prices and import obligation for non-household consumers have been abolished starting January 2015, while the price for domestic production to be paid by regulated households during H1/15 was set at RON 53.3/MWh (EUR 12.0/MWh), unchanged since July 1, 2014. The same price applies for the domestic gas volumes which Romanian gas producers are obliged to supply to the district heating sector (only for the quantities used to produce heat for household consumption). In addition, gas producers must sell via Romanian centralized trading platforms approximately one third of their domestic gas quantities for the free market, which has proven to be a challenge in 2014.

In the **power** market, demand is anticipated to be relatively stable and prices remain under pressure.

In 2015, **refining** margins are expected to come down from the recent levels, due to persisting overcapacity in local and European markets.

The lower product prices resulting from the decline in the oil price are expected to support demand in the **marketing** business, though with increased competition.

The package of fiscal measures introduced in February 2013 imposing a supplementary taxation for oil and gas producers was extended for 2015. The constructions tax, however, was reduced to 1.0% from 1.5% in 2014.

This year, we expect public consultations with respect to upstream oil and gas taxation envisaged to be applicable starting 2016, as publicly announced by the authorities. Our aim remains to achieve a long-term, stable and investment-friendly taxation and regulatory framework, a key precondition for future investments.

Sizeable investments

In light of the volatile and potentially prolonged weaker market fundamentals, we are scaling back our investment plans for 2015 and have intensified cost optimization programs whilst maintaining our

potential growth projects in the Black Sea. The Group CAPEX plans for 2015 is in the range of EUR 0.8 – 1.1 bn of which approx. 85% will be dedicated to E&P.

In **E&P**¹¹, following the abrupt decrease in oil price in the second half of 2014, we leveraged our investment portfolio mix, by project prioritization and CAPEX re-phasing and reduction. Moreover, we have intensified cost optimization programs whilst maintaining our potential growth projects in the Black Sea. In 2015, we will continue our operational excellence initiatives focusing on efficiency, also taking into account the market operating environment. The E&P portfolio will be further optimized, by selling selected marginal fields.

OMV Petrom's operational activities will focus on delivering around 1,200 workovers and up to 70 new wells, dependent on market and fiscal environment. Moreover, important new wells (e.g. wells on Bustuchin field and offshore Istria) are expected to contribute to the overall production.

We will concentrate on value based prioritization of the FRD projects, therefore those under development or execution will be slowed down, while those under appraisal will be re-engineered or reduced.

The joint venture with Repsol continues with two exploration drilling wells on-going and another two leads expected to progress. The Padina Nord discovery under the joint venture with Hunt Oil will further advance and development options are under consideration.

We will continue our joint venture with EMEPRL as further exploration operations and appraisal drilling are expected in 2015. Domino-2 and Pelican South-1 results together with data from additional exploration wells will be used for the evaluation of the consolidated block potential.

In Kazakhstan, we will pursue water injection schemes in both the TOC and Komsomolskoe fields in order to secure reservoir pressure support and slow down the natural decline of production.

In **G&P**¹¹, we will focus on further optimizing the gas value chain in an integrated manner so as to dynamically address challenges in the market and regulatory environment, whilst maximizing value creation. Our priority remains on maintaining a leading position in the free gas market, whilst capturing synergies from bundling electricity sales with natural gas sales. In the context of anticipated pressure on spark spreads, which may lead to a negative result of the power business in 2015, we will pursue strict cost management, portfolio optimization and aim to capture available market opportunities by capitalizing on the operational flexibility of the Brazi power plant.

In **R&M**¹¹, we will further capitalize on the successful completion of the Petrobrazi modernization along the whole value chain. Moreover, the refinery will continue to deliver on economic energy efficiency improvements. The fuel terminal network optimization program will continue with the reconstruction works at the Cluj terminal expected to be finalized by the end of 2015. We will further pursue cost discipline and optimization of the downstream business. The marketing business will continue to focus on strengthening the marketing position and consolidating the two brands strategy in Romania.

¹¹ On March 24, 2015, the Supervisory Board decided to rename OMV Petrom's business divisions with effect from April 1, 2015 as follows: Exploration and Production division to become Upstream; Refining and Marketing division to become Downstream Oil; Gas and Power division to become Downstream Gas.

3.3. Corporate Governance Report

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

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

The company has, therefore, always placed great importance on good corporate governance and has adhered to the principles laid down in the Corporate Governance Code issued by the Bucharest Stock Exchange.

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

Commitment to good corporate governance

In accordance with best corporate governance practice, the company is managed in a climate of openness, based on honest discussions between the Executive Board and the Supervisory Board, as well as within each of these corporate bodies. Members of the aforementioned corporate bodies have a duty of care and loyalty towards the company. Hence, the Executive Board and the Supervisory Board pass their resolutions as required for the welfare of the company, primarily in consideration of the interests of shareholders and employees.

General Meeting of Shareholders

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

General Meeting of the Shareholders organization

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

The minutes, signed by the President and by the secretaries, shall ascertain the fulfilment of the formalities relating to the convening notice, the date and place of the GMS, the agenda, the shareholders present, the number of shares, a summary of the issues discussed, the resolutions passed and, upon the request of the shareholders, the statements made by such shareholders during the GMS.

The resolutions of the GMS shall be drafted pursuant to the minutes and shall be signed by the President of the Supervisory Board or by another person appointed by the President. In observance of capital market regulations, the resolutions of the GMS will be disseminated to the Bucharest Stock Exchange and the Financial Supervisory Authority (former National Securities Commission) within 24 hours after the event. The resolutions will also be made available on the company's website, within the General Meeting of the Shareholders section.

General Meeting of the Shareholders main duties

The main duties of the Ordinary GMS are the following:

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

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

The Extraordinary GMS is entitled to decide mainly upon:

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

Supervisory Board

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

Supervisory Board members

At the end of 2014, the membership of the Supervisory Board comprised the following individuals: Gerhard Roiss, David Charles Davies, Joseph Bernhard Mark Mobius, Manfred Leitner, Hans-Peter Floren, Riccardo Puliti, Lucian-Dan Vladescu, George Băeșu and Johann Pleininger.

Supervisory Board main powers

The Supervisory Board has the following main powers:

- (a) to exercise control over the management of the company by the Executive Board;
- (b) to determine the structure and the number of positions in the Executive Board; to appoint and revoke the members of the Executive Board;
- (c) to create an audit committee and other specialized committees, if appropriate;
- (d) to check that the acts undertaken in the course of the management of the company are compatible with law, the Articles of Association and any relevant resolutions of the General Meeting of Shareholders;
- (e) to submit to the General Meeting of Shareholders a report concerning the supervision activity undertaken;
- (f) to represent the company in relation to the Executive Board;
- (g) to verify the company's financial statements;
- (h) to verify the report of the members of the Executive Board;
- (i) to propose to the General Meeting of Shareholders the appointment and the revocation of the financial auditor, as well as the minimum term of the audit contract.

The responsibilities of the members of the Supervisory Board, as well as the working procedures and the approach to conflicts of interest and own account dealings are governed by relevant internal regulations. As required by Company Law, none of the Supervisory Board members holds an executive position in the company. During 2014 financial year, the Supervisory Board met five times in person and submitted its approval in writing on three occasions (more details are presented within the report of the Supervisory Board).

Special Committees

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

The Supervisory Board members are appointed by the Ordinary GMS, based on a transparent procedure of appointment and with the majority of votes of the shareholders. Likewise, the remuneration of the Supervisory Board members is established by the Ordinary GMS.

An **Audit Committee** composed of four Supervisory Board members was established to provide assistance to the governing bodies of the company in the area of risk management and financial reporting and to monitor the information provided by its internal auditors. This committee reviews the annual accounts and the proposal for profit distribution.

In addition, the Audit Committee prepares the proposal of the independent financial auditor to the Supervisory Board, which is to be elected by the Ordinary GMS.

Moreover, this committee supervises the company's risk management strategy and its financial performance and assesses the issues subject to the reports of the internal auditors.

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

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

At the end of 2014, the Audit Committee consisted of the following members: David Charles Davies (President of the Audit Committee), Manfred Leitner (Deputy President of the Audit Committee), Riccardo Puliti (Member) and George Băeșu (Member).

During the 2014 financial year, the Audit Committee met three times (more details presented under the corresponding section within the report of the Supervisory Board).

Executive Board

The Executive Board is appointed and/or revoked by the Supervisory Board. The number of members shall be determined by the Supervisory Board, provided that such number is not lower than three and not higher than seven. One Executive Board member is appointed as the President of the Executive Board (also named Chief Executive Officer of the company). The Executive Board's current mandate started in 2011 and runs until 2015.

The meetings of the Executive Board are held regularly (usually every week) and whenever necessary for the operative management of the company's daily business.

Executive Board members

During 2014 the Executive Board of the company consisted of the following members: Mariana Gheorghe (President of the Executive Board and Chief Executive Officer), Andreas Matje (Executive Board member and Chief Financial Officer), Gabriel Selischi (Executive Board member in charge with Exploration and Production activity), Neil Anthony Morgan (Executive Board member in charge with Refining and Marketing activity), Cristian Nicolae Secoșan (Executive Board member in charge with Gas and Power activity).

On March 24, 2015, the Supervisory Board appointed the following OMV Petrom Executive Board members for a four year term starting April 17, 2015 until April 17, 2019: Mariana Gheorghe (Chief Executive Officer and President of the Executive Board); Andreas Matje (Chief Financial Officer and Executive Board member); Gabriel Selischi (Executive Board member in charge with the Upstream activity); Neil Anthony Morgan (Executive Board member in charge with the Downstream Oil activity); Lăcrămioara Diaconu-Pințea (Executive Board member in charge with the Downstream Gas activity)¹². Cristian Secoșan's mandate as member of the Executive Board will cease starting with April 17, 2015.

Executive Board main duties

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

- (a) to establish the strategy and the policies regarding the development of the company, including the organizational structure of the company and the operational divisions;
- (b) to submit annually for the approval of the General Meeting of Shareholders, within four months of the end of the fiscal year, the report regarding the business activity of the company, the financial statements for the previous year, as well as the business activity and budget projects of the company for the current year;
- (c) to conclude legal acts on behalf of and for the account of the company, with observance of matters reserved to the General Meeting of Shareholders or to the Supervisory Board;

¹² On March 24, 2015, the Supervisory Board decided to rename OMV Petrom's business divisions with effect from April 1, 2015 as follows: Exploration and Production division to become Upstream Refining and Marketing division to become Downstream Oil; Gas and Power division to become Downstream Gas.

- (d) to hire and to dismiss, and to establish the duties and responsibilities of the company's personnel, in line with the company's overall personnel policy;
- (e) to undertake all the measures necessary and useful for the management of the company, implied by the daily management of each division or delegated by the General Meeting of Shareholders or by the Supervisory Board, with the exception of those reserved to the General Meeting of Shareholders or to the Supervisory Board through operation of law or of the Articles of Association;
- (f) to exercise any competence delegated by the Extraordinary General Meeting of Shareholders.

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

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

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

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

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

In 2014, 59 meetings of the Executive Board were held in order to pass resolutions on all matters requiring its approval in accordance with the Articles of Association and the company's internal regulations, as well as to allow the members of the Executive Board to be aware of all significant matters concerning the company and to inform each other about all relevant issues of their activity.

Shareholders' rights

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

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

Several key decisions are assigned to shareholders via the General Meeting of Shareholders. Among these decisions are included:

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

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

One share, one vote, one dividend

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

GMS calling

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

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

GMS attendance

The company actively promotes the participation of its shareholders in the GMS, as they are invited to raise questions concerning items to be debated during such meetings. The shareholders may attend in person or may be represented in the GMS either by their legal representatives or by representatives having a special proxy, based on the special proxy template made available by the company. Such proxy template may be obtained from the company headquarters and/ or can be found on the company's website, within the General Meeting of Shareholders section. A shareholder may appoint by proxy one or more alternate representatives to ensure its representation in the GMS, if the designated representative is unable to fulfill its mandate.

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

Taking shareholders' questions

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

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

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

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

Company shares held by the Supervisory Board members

Lucian - Dan Vladescu holds a number of 985 company shares. OMV Petrom does not have knowledge of any other member of the Supervisory Board holding shares issued by the company during the year under review.

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

OMV Petrom does not have knowledge of any such agreement or understanding.

Company shares held by the Executive Board members

Following the share buy-back program, 100 shares were assigned to Mariana Gheorghe, President of the Executive Board. Likewise, as a matter of good corporate governance, we outline that Mariana Gheorghe's husband holds 60,000 shares issued by OMV Petrom.

Women's advancement

The company supports gender diversity and promotion of women in management positions. While there are no female members of the Supervisory Board of the company, the President of the Executive Board is Mariana Gheorghe.

By the end of 2014, around 27% of the first line directors Executive Board were women whilst the percentage of women in middle management was around 39%. Given the strong industrial bias of our operations, the proportion of women in the Group as a whole by year end was 24%, which is in line with the equivalent figure for the OMV Group, of which OMV Petrom is part.

Bucharest Stock Exchange Corporate Governance Code

The company adheres to the Corporate Governance Code issued by the Bucharest Stock Exchange starting from the 2010 financial year. The details about the compliance with the principles and recommendations stipulated under the Corporate Governance Code issued by the Bucharest Stock Exchange are presented in the “Comply or Explain” statement, which is a part of this annual report.

3.3.1. “Comply or Explain” statement

“Comply or Explain” statement BSE Corporate Governance Code

The “Comply or Explain” statement below was prepared taking into account the particularities of the two-tier system applicable to OMV Petrom S.A. (“OMV Petrom”, or “the company” or “the Issuer”), whereas the statement template is structured according to the one-tier management system.

Principle/ Recommendation	Question	YES	NO	Please EXPLAIN
P19	Is the Issuer managed in a two tier system?	*		Since April 2007, OMV Petrom is managed in a two-tier system by an Executive Board, which manages the daily operations under the supervision of the Supervisory Board.
P1	R1 Has the Issuer drawn up a Statute/Corporate Governance Regulation which describes the main aspects of the corporate governance principles?	*		The corporate governance principles are also laid down in the Issuer’s Articles of Association, the internal rules of the Supervisory Board and the Executive Board, as well as in other internal regulations. The Issuer has drawn up a Corporate Governance Statute which describes the overall picture of the company’s corporate governance.
	Is the Statute/Corporate Governance Regulation (mentioning the date of its last update) posted on the website of the Issuer?	*		The Corporate Governance Statute is posted on the website of the Issuer bearing the date of its last update.
	R2 In the Statute/Corporate Governance Regulation, are there defined corporate governance structures, positions, competences and responsibilities of the Supervisory Board and of the Executive Board?	*		The corporate governance structures, positions, competences and responsibilities of the Supervisory Board and of the Executive Board are defined in the Articles of Association of the Issuer. They are also laid out in the Corporate Governance Statute.

Principle/ Recommendation	Question	YES	NO	Please EXPLAIN
R 3	Does the Annual Report of the Issuer contain a chapter referring to corporate governance, which describes all the relevant events related to corporate governance registered in the previous financial year?	*		OMV Petrom's 2014 Annual Report has a chapter describing all the relevant events related to the corporate governance issues in the 2014 financial year.
	Does the Issuer disclose on its website the information related to the following aspects of its corporate governance: a) a description of the Issuer's corporate governance structures?	*		OMV Petrom's website has a special section where details about corporate governance bodies are entered. The structure of the Executive Board and of the Supervisory Board is presented on the website. Likewise, the details regarding the organization of the GMS of the company are also presented on the website.
	b) the updated Articles of Association?	*		The last version of OMV Petrom's Articles of Association is posted on its website, under the Corporate Governance section.
	c) the internal regulation governing the functioning /its essential aspects for each special commission/ specialized committee?	*		The rules governing the functioning of each special commission/committee are bundled in the Corporate Governance Statute which is posted on the website of the Issuer.
	d) the "Comply or Explain" Statement?	*		"Comply or Explain" Statements are posted on OMV Petrom's website.

Principle/ Recommendation	Question	YES	NO	Please EXPLAIN
	e) the list of the Supervisory Board members specifying which members are independent, of the Executive Board and of the special commissions/committees?	*		Details about the members of the Supervisory Board, the Executive Board and the Audit Committee are presented on the Issuer's website.
	f) a brief version of the CV of each Supervisory Board and Executive Board member?	*		OMV Petrom has a special section on its website where short versions of the CVs of the members of the corporate bodies are posted.
P2	Does the Issuer respect the rights of the holders of the financial instruments issued by the Issuer, ensuring equal treatment for them while also submitting any change of the granted rights for approval by the special meetings of such holders?	*		The Issuer complies with the regulations setting forth the rights of the shareholders. Any changes of the already granted rights are submitted for the approval of the shareholders.
P3	R 4 Does the Issuer publish in a special section of its website the details of the holding of the General Meetings of Shareholders ("GMS"): a) the GMS convening notice?	*		OMV Petrom's website has a special section where the GMS convening notices are posted.
	R 4 b) the materials/documents relating to the items on the agenda, as well as any other information about the items on the agenda?	*		OMV Petrom's website has a special section where materials/documents / any other information relating to the items on the agenda of the GMS are posted.

Principle/ Recommendation	Question	YES	NO	Please EXPLAIN
	R 4 c) the templates of the special power of attorney?	*		OMV Petrom's website has a special section where the templates of the special power of attorney can be found.
	R 6 Has the Issuer drawn up and submitted for the GMS approval procedures for an efficient and methodical holding of the GMS according to procedure, however without prejudice to the right of any shareholder to freely express their opinion on the topics subject to the debates?	*		The details of the organization of the GMS are mentioned in the Issuer's Articles of Association and Statute of Corporate Governance. Likewise, OMV Petrom publishes at every GMS extensive convening notices describing in detail the procedure to be followed for the respective meeting. In this manner, the Issuer ensures that the General Meetings of Shareholders are adequately conducted and well organized while the shareholders' rights are duly communicated and observed.
	R 8 Does the Issuer disclose in a special section of its website the shareholders' rights as well as the rules and procedures for the attendance at GMS?	*		The rights of the shareholders are outlined on the Issuer's website. Likewise, the rules and procedures for attendance at the GMS, as well as the rights of the shareholders, are always described in the convening notice which is always posted on Issuer's website. The rights of the shareholders are laid down in each and every annual report.
	Does the Issuer provide the information in due time (immediately after the GMS) to all shareholders through the special section on the Issuer's website: a) the resolutions passed by GMS?	*		OMV Petrom's website has a special section where the resolutions passed by the GMS are posted in due time.

Principle/ Recommendation	Question	YES	NO	Please EXPLAIN
	b) the detailed results of voting?	*		OMV Petrom's website has a special section where detailed results of voting are posted in due time.
	Does the Issuer disseminate through the special section of the Issuer's website, which is easily identifiable and accessible: a) ad-hoc reports/official statements?	*		OMV Petrom's website has special section where ad-hoc reports and official statements are posted.
	b) the financial calendar, the annual, quarterly and half-yearly reports?	*		OMV Petrom's website has an easily accessible special section where the financial calendar and periodical reports are posted.
	R 9 Has the Issuer set up a special department or has appointed a person dedicated to the relation with investors?	*		OMV Petrom has set up a special department dedicated to investor relations that can be contacted at phone number +40 (0) 214022206 or via e-mail: investor.relations.petrom@petrom.com . Likewise, a special section of the company's website is dedicated to investors.
P4, P5	R 10 Does the Supervisory Board meet at least once a quarter for supervising the activity of the Issuer?	*		The Supervisory Board meets whenever necessary, but at least once every three months. In 2014, the Supervisory Board met five times in person and passed resolutions by circulation on three additional occasions.

Principle/ Recommendation	Question	YES	NO	Please EXPLAIN
	R 1 Has the Issuer a set of rules referring to the conduct and the reporting obligations relating to the trading of the shares or of other financial instruments issued by the Issuer (" issuer securities ") made on their account by the members of the Executive Board and other related natural persons?	*		Such rules are laid down in the internal regulations of the Issuer, while the Issuer has set up special structures to follow the implementation of such internal regulations.
	2 Are the trades with the issuer's securities made by the members of Supervisory Board, Executive Board or any other insiders on their own account disclosed via the Issuer's website, according to applicable rules?	*		All these transactions are posted on the Bucharest Stock Exchange website, in the section dedicated to the market news related to OMV Petrom. OMV Petrom's website also contains a link to the Bucharest Stock Exchange website, in the section OMV Petrom>Investor Relations>Corporate Governance>Insider Trading.
P6	Does the structure of the corporate bodies of the Issuer ensure a balance between the executive and non-executive members (and especially independent non-executive members) so that the decision-making is not to be dominated by a single person or a group of persons?	*		The Supervisory Board comprises nine members who are non-executives and who supervise the activity of the five members of the Executive Board. Therefore, the balance between executives and non-executives is ensured.

Principle/ Recommendation	Question	YES	NO	Please EXPLAIN
P7	Does the structure of the Supervisory Board provide a sufficient number of independent members?	*		The membership of the Supervisory Board considers the Company Law no. 31/1990 specific provisions on independence criteria and the number of independent members.
P8	R15 In the course of its activity, is the Supervisory Board supported by any consultative commissions/committees nominated by the Supervisory Board, which deal with the analysis of some specific subjects in order to counsel the Supervisory Board on such topics?	*		The Audit Committee supports the Supervisory Board by performing the following main activities: <ul style="list-style-type: none"> • reviews and prepares the adoption of the annual accounts • prepares the proposal for the distribution of profits • prepares a proposal of an independent financial auditor • supervises OMV Petrom's risk management arrangements and its financial performance • monitors the reports delivered by the internal auditors.
	Do the consultative commissions/committees submit activity reports to the Supervisory Board on the specific subjects assigned to them?	*		The Audit Committee submits activity reports to the Supervisory Board on the specific subjects assigned to it.
	R16 For the assessment of the independence of their members, does the Supervisory Board use the assessment criteria listed in Recommendation 16?	*		The criteria used for the assessment of Supervisory Board independence are those mentioned in Company Law no. 31/1990, which are substantially similar to those provided by Corporate Governance Code.

Principle/ Recommendation	Question	YES	NO	Please EXPLAIN
	R 1 7 Do Executive Board members permanently improve their knowledge through training/information in the corporate governance field?	*		The Executive Board members permanently improve their corporate governance knowledge via training/ roundtable discussion meant to enhance the corporate governance practice in the company. The CEO is also President of the Corporate Governance Institute at the Bucharest Stock Exchange and regularly attends conferences on this topic.
P9	Is the appointment of the Supervisory Board members based on a transparent procedure (objective criteria regarding personal/ professional qualifications etc.)?	*		The Supervisory Board members are appointed by the GMS, based on a transparent procedure of appointment and with the majority of votes of the shareholders, as provided for in the Issuer's Articles of Association and applicable law. Prior to the GMS, their CVs are available for the shareholders for consultation, while the shareholders are allowed to supplement the candidates list for the position of member of the Supervisory Board.
P10	Is there a Nomination Committee within the Issuer set-up?		*	Establishment of the Nomination Committee is a pending subject for the assessment of the corporate bodies of the company.
P11	R 2 1 Does the Supervisory Board assess the necessity to have a Remuneration Committee/remuneration policy for the Supervisory Board and Executive Board members at least once a year?		*	The remuneration of the Supervisory Board members is resolved upon by the GMS every year. The setting up of a Remuneration Committee is being considered.
	Has the remuneration policy been approved by the GMS?		*	The remuneration of the Supervisory Board members is resolved upon by the GMS and it is made public.
	R 2 2 Is there a Remuneration Committee made exclusively of non-executive members of the Supervisory Board?		*	The Remuneration Committee has not been established yet.

Principle/ Recommendation	Question	YES	NO	Please EXPLAIN
	R 2 4 Is the remuneration policy of the Issuer mentioned in the Statute/Corporate Governance Regulation?		*	Please see above.
P12 , P13	R 2 5 Does the Issuer disclose the information subject of the reporting requirements in English: a) periodical information (regular providing information)?	*		OMV Petrom discloses periodical information in English.
	b) permanent information (continuous providing information)?	*		OMV Petrom discloses permanent information in English.
	Does the Issuer prepare and make public the financial report according to the IFRS standards?	*		OMV Petrom has prepared and published consolidated financial statements in accordance with IFRS for the year ended December 31, 2006 for the first time. Starting 2010, OMV Petrom also reports on a quarterly basis the condensed consolidated interim financial statements in accordance with the IFRS standards. Furthermore, in line with Romanian legal requirements applicable for listed companies, starting December 31, 2012 OMV Petrom also prepares separate individual financial statements in accordance with IFRS.

Principle/ Recommendation	Question	YES	NO	Please EXPLAIN
	R 26 Does the Issuer organize, at least once a year, meetings with financial analysts, brokers, rating agencies and other market specialists with the view to presenting the financial elements relevant for the investment decision?	*		OMV Petrom organizes one-to-one meetings and conference calls with financial analysts, investors, brokers and other market specialists with a view to presenting the financial elements relevant for investment decision. A total of more than 100 one-to-one or group meetings and presentations were held throughout 2014. The company also attended analyst and investor conferences, organized in Romania and abroad.
	R 27 Is there an Audit Committee within the Issuer?	*		OMV Petrom's Supervisory Board has set up an Audit Committee.
	R 28 Does the Supervisory Board or the Audit Committee, as the case may be, assess on a regular basis the efficiency of financial reporting, internal control and the risk management system implemented by the Issuer?	*		The Audit Committee assesses on a regular basis the efficiency of financial reporting and the risk management system implemented by OMV Petrom.
	R 29 Is the Audit Committee comprised exclusively of non-executive members of the Supervisory Board and is it comprised of a sufficient number of independent members of the Supervisory Board?	*		The Audit Committee comprises exclusively non-executive members of the corporate bodies and a sufficient number of independent members of the Supervisory Board, as provided for by Company Law no. 31/1990.

Principle/ Recommendation	Question	YES	NO	Please EXPLAIN
	R 30 Does the Audit Committee meet at least twice a year, with the view to draw up and disclose to the shareholders half-yearly and annual financial statements?	*		OMV Petrom's Audit Committee met three times in 2014 in order to deal with significant accounting, reporting and risk management issues as well as with the review on the financial statements.
	R 32 Does the Audit Committee make proposals to the Supervisory Board regarding the selection, the appointment, the reappointment and the replacement of the financial auditor, as well as the terms and conditions of its remuneration?	*		OMV Petrom's Audit Committee makes proposals to the Supervisory Board regarding the selection, the appointment, the reappointment and the replacement of the financial auditor, as well as the terms and conditions of its remuneration.
P14	Has the Issuer approved a procedure with a view to identifying and to settling any conflicts of interest?	*		The Issuer has established internal rules on how to deal with conflicts of interest.
P15	R 33 Do the members of the Supervisory Board inform the Supervisory Board on conflicts of interests as they occur and do they refrain from debates and the vote on such matters, according to relevant legal provisions?	*		OMV Petrom Supervisory Board has put in place rules relating to conflicts of interest as well as the approach in this respect.

Principle/ Recommendation	Question	YES	NO	Please EXPLAIN
P16	R34 / R35 Has the Issuer approved the specific procedures in order to provide procedural compliance (criteria to identify the significant impact of transactions, transparency, impartiality, non-competition, etc.) with the view to identify the transactions between related parties?	*		OMV Petrom has internal regulations in place and submits reports on transactions with related parties to the Financial Supervisory Authority and to the Bucharest Stock Exchange.
P17	R36 Has the Issuer approved a procedure regarding the internal flow and disclosure to third parties of the documents and information referring to the Issuer, considering especially inside information?	*		OMV Petrom has internal regulations in place for such matters.
P18	R37 / R38 Does the Issuer carry on activities regarding the Issuer's social and environmental responsibility?	*		OMV Petrom conducts various activities regarding social and environmental responsibility. Please see the Annual Report's section relating to community involvement.

3.4. Declaration of the management

We confirm to the best of our knowledge that the consolidated financial statements give a true and fair view of the financial position of the Group as of December 31, 2014, its financial performance and cash flows for the year then ended, in accordance with applicable accounting standards, and that the Directors' report gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties associated with the expected development of the Group.

Bucharest, March 24, 2015

The Executive Board

Mariana Gheorghe
Chief Executive Officer
President of the Executive Board



Andreas Matje
Chief Financial Officer
Member of the Executive Board



Gabriel Selischi
Member of the Executive Board
Exploration and Production



Cristian Secosan
Member of the Executive Board
Gas and Power



Neil Anthony Morgan
Member of the Executive Board
Refining and Marketing



Abbreviations and definitions

ANRE	Romanian Energy Regulatory Authority
bbl	barrel(s), i.e. 159 liters
bbl/d	bbl per day
bcf	billion cubic feet; 1 billion standard cubic meters = 35.3147 bcf for Romania or 34.7793 bcf for Kazakhstan
bcm	billion cubic meters
bn	billion
boe, kboe	barrels of oil equivalent, thousand barrels of oil equivalent
boe/d, kboe/d	boe per day, kboe per day
BSE	Bucharest Stock Exchange
CAPEX	Capital Expenditure
Capital employed	Equity including minorities + net debt
cbm	cubic meter(s)
CCS	Current cost of supply
CCPS	Center for chemical process safety
CEO	Chief Executive Officer
Co&O	Corporate and Other
CO ₂	Carbon Dioxide
CR	Community relations
CSR	Corporate Social Responsibility
CV	Curriculum Vitae
DAV	Atmospheric and Vacuum Distillation
E&P	Exploration and Production
EBIT	Earnings Before Interest and Taxes
EBITD	Earnings Before Interest, Taxes and Depreciation
EBRD	European Bank for Reconstruction and Development
EMEPRL	ExxonMobil Exploration and Production Romania Limited
EU, EUR	European Union, euro(s)
EPS	Earnings per share
Equity ratio	Stockholders' equity divided by balance sheet total expressed as a percentage
EURIBOR	Euro Interbank Offered Rate
FRD	Field redevelopment
FX	Foreign Exchange
G&P	Gas and Power
Gearing ratio	Net debt divided by equity expressed as a percentage
GDP	Gross Domestic Production
GHG	Green House Gas
GMS	General Meeting of Shareholders
HAZOP	Hazard and operability study
HSSE	Health, Safety, Security and Environment
HFO	Heavy Fuel Oil
IASB	International Accounting Standards Board
IFRSs; IASs	International Financial Reporting Standards; International Accounting Standards
IFRIC	International Financial Reporting Standards Interpretations
IMF	International Monetary Fund
IRM	Institute of Risk Management
ISO	International Organization for Standardization
ISO 31000	International standard for risk management
IT	Information Technology
JV	Joint venture
lhs, rhs	left hand side, right hand side
LIBOR	London Interbank Offered Rate
LPG	Liquefied Petroleum Gas
LTIR	Lost time injury rate = Average injury frequency with one or more lost workday related to the working time performed
m, km	meter(s), kilometer(s)
mn	million
MW; MWh	megawatt(s); megawatt hour(s)
n.m.	not meaningful
Net debt	Interest bearing debts and financial lease liabilities less liquid funds (cash and cash equivalents)
NGL	Natural Gas Liquids

NGO	Non-governmental organization
NOPAT	Net Operating Profit After Tax. Profit on ordinary activities after taxes plus net interest on net borrowings, +/- result from discontinued operations, +/- tax effect of adjustments
OECD	Organization for Economic Co-operation and Development
OGMS	Ordinary General Meeting of Shareholders
OPCOM	The administrator of the Romanian electricity market
OPEC	Organization of Petroleum Exporting Countries
Q	quarter
R&M	Refining and Marketing
ROACE	Return On Average Capital Employed = NOPAT / Average Capital Employed (%)
RON	New Romanian leu
RRR	Reserve Replacement Rate
S.A.	JSC - Joint stock company (Societate pe Actiuni)
S.R.L.	Ltd - Limited liability company (Societate cu Raspundere Limitata)
TOC	Tasbulat Oil Corporation
t, kt	metric tonne(s), thousand tonnes
t/y	tonne(s)/year
toe	tonne(s) of oil equivalent
TWh	terawatt hour(s)
USD	United States dollar(s)
VAT	Value-added tax

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