OMV PETROM S.A.

SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2019

Prepared in accordance with Order of the Ministry of Public Finance no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards

TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT

Translation of the Company's separate financial statements issued in the Romanian language

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of OMV Petrom S.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of OMV Petrom S.A. ("the Company") with official head office in 22 Coralilor Street, Petrom City, District 1, Bucharest, Romania identified by sole fiscal registration number RO1590082, which comprise the statement of financial position as at December 31, 2019, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with the Order of the Minister of Public Finance no. 2844/2016, approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 ("Regulation (EU) No. 537/2014") and Law 162/2017 („Law 162/2017"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with International Code of Ethics for Professional Accountants (including International Independence Standards) as issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements that are relevant to the audit of the financial statements in Romania, including Regulation (EU) No. 537/2014 and Law 162/2017 and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

For each matter below, our description of how our audit addressed the matter is provided in that context. We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Description of each key audit matter and our procedures performed to address the matter

Key audit matter	How our audit addressed the key audit matter
Recoverability of the carrying value of property, plant and equipment (Upstream) The carrying value of the Upstream property, plant and equipment is RON 20,347 million as at 31 December 2019. Declines in crude oil and gas prices since 2014 have had a significant effect on the carrying value of the Company's Upstream tangible assets, as reflected by the Upstream impairment charges recorded in the 2015 financial statements. Under the International Financial Reporting Standards, an entity is required to assess whether triggers for potential additional impairment or reversal of impairment previously recorded exist. The assessment of whether there is an indication that an asset may be impaired or an impairment may be reversed requires significant judgement. The management established that the main risks and consequently the potential triggering events are estimates regarding long term Brent oil price and life of field production volumes. A triggering events analysis was performed in relation to the aforementioned indicators. The Company's disclosures about property, plant and equipment and related triggering events analysis, are included in Note 2 (Judgements, Estimates and Assumptions) and Note 6 (Property, Plant and Equipment) to the financial statements.	We audited management's assessment of the triggers for potential additional impairment or reversal of impairment previously recorded. Specifically, our work included, but was not limited to the following procedures: • Analysed the management's assessment of the existence of impairment or impairment reversal indicators (the triggering events analysis); • Compared the average actual oil and gas prices in 2019 with the estimated oil and gas prices in the budget prepared for 2019; • Compared the actual production volumes in 2019, of each cash generating unit with the production volumes estimates in the budget prepared for 2019; • Compared the future short and long-term oil and gas prices used in the Company's budgets to consensus analysts' forecasts and those adopted by other international oil companies; • Compared the main assumptions used in the impairment test performed in 2015 (oil prices and production volumes) with the current forecasts approved as part of the Company's mid-term planning assumptions; • Checked if there are significant downward revisions of oil and gas reserves to determine if they represent impairment indicators; and • Assessed the adequacy of the Company's disclosures in the financial statements.

Key audit matter	How our audit addressed the key audit matter
Recoverability of intangible exploration and evaluation (E&E) assets The carrying value of intangible E&E assets amounted to RON 3,040 million at 31 December 2019. Under IFRS 6, Exploration for and Evaluation of Mineral Resources, exploration and evaluation assets shall be assessed for impairment when facts and circumstances suggest that the carrying value of an exploration and evaluation asset may exceed its recoverable amount. The assessment of the carrying value requires management to apply significant judgements and estimates in assessing whether any impairment has arisen at year end, and in quantifying any such impairment. The key estimates and assumptions relate to management's intention to proceed with a future work program for a prospect or license, the likelihood of license renewal, and the success of drilling and geological analysis to date. The Company's disclosures about intangible E&E assets and related impairment testing are included in Note 2 (Judgements, Estimates and Assumptions), Note 5 (Intangible Assets) and Note 22 (Cost information) to the financial statements.	We evaluated management's assessment of the carrying value of E&E assets performed with reference to the criteria of IFRS 6 and the Company's accounting policy. Specifically, our work included, but was not limited to, the following procedures: • Inquired whether the management has the intention to carry out exploration and evaluation activity for the main E&E projects, which included discussions with senior management as to the intentions and strategy of the Company and reviewed the Executive Board minutes of meetings where exploration plans and strategies were discussed; • Read Executive Board minutes of meetings and considered whether there were negative indicators that certain projects might be unsuccessful; • Discussed with management about the status of the largest exploration projects; • Assessed whether the Company has the ability to finance any planned future exploration and evaluation activity, which included review of the Executive Board minutes of meetings for any indications about the lack of such ability or intention and checking that the investment budget for the next year includes funds for main exploration and evaluation projects; • Assessed the existence of any fields where the Company's right to explore is either at, or close to, expiry and reviewed management's assessment whether there are any risks related to renewal of the license; • Reviewed the supporting evidence where an exploration and evaluation asset has been impaired; and • Assessed the adequacy of the Company's disclosures in the financial statements.

Key audit matter	How our audit addressed the key audit matter
Estimation of oil and gas reserves Oil and gas reserves are an indicator of the future potential of the Company's performance. Furthermore, they have an impact on the financial statements as they are the basis for: • production profiles in future cash flow estimates; • depreciation, amortization and impairment charges for the core assets in the Upstream segment. The estimation of oil and gas reserves requires significant judgement and assumptions made by management and engineers due to the technical uncertainty in assessing quantities. The Company's disclosures about estimation of oil and gas reserves are included in Note 2 (Judgements, Estimates and Assumptions) to the financial statements.	Our procedures have focused on management's estimation process in the determination of oil and gas reserves. Specifically, our work included, but was not limited to, the following procedures: • Performed a detailed understanding of the Company's internal process and related documentation flow and key controls associated with the oil and gas reserves estimation process; • Tested controls of the oil and gas reserves review process; • Analysed the internal certification process for technical and commercial specialists who are responsible for oil and gas reserves estimation; • Assessed the competence of both management internal and external specialists and the objectivity and independence of external specialist, to consider whether they were appropriately qualified to carry out the estimation of oil and gas reserves; • Analysed the report of the management's external specialist, prepared once every two years, on their review of Company's estimated oil and gas reserves (latest report as at 1 July 2018 for the reserves as of 31 December 2017); • Tested whether significant additions or reductions in oil and gas reserves were made in the period in which the new information became available and in compliance with Company's Reserves and Resources Guidelines; • Tested that the updated oil and gas reserve estimates were included appropriately in the Company's consideration of impairment and in accounting for depreciation and amortization; and • Assessed the adequacy of the Company's disclosures in the financial statements.

Key audit matter	How our audit addressed the key audit matter
Estimation of decommissioning and restoration provisions and environmental provisions The total decommissioning and restoration provision and the environmental provision amounted to RON 6,702 million and RON 397 million respectively at 31 December 2019. The Company's core activities regularly lead to obligations related to dismantling and removal, asset retirement and soil remediation activities. The key estimates and assumptions relate to management's estimates of future costs, discount rates and inflation rates which are used to project the decommissioning, restoration and environmental obligations. The Company's disclosures about decommissioning, restoration and environmental obligations are included in Note 2 (Judgements, Estimates and Assumptions) and Note 13 (Provisions) to the financial statements.	We assessed management's annual estimation of provision for decommissioning and restoration obligation and environmental obligation. Specifically, our work included, but was not limited to, the following procedures: • Performed a detailed understanding of the Company's decommissioning and restoration obligations estimation process and the related documentation flow and the assessment of the design and implementation of the controls within the process; • Compared the current estimates of decommissioning, restoration and environmental costs with the actual costs incurred in previous periods. Where no previous data was available, we have reconciled cost estimates to third party evidence or the Company's engineers' estimates; • Discussed with the management the estimates of allocation over time of works to be performed for surface and subsurface decommissioning for wells; • Inspected supporting evidence for any material revisions in cost estimates during the year; • Involved our valuation specialists to assist us in the analysis of discount rates and inflation rates; • Tested the mathematical accuracy of decommissioning and restoration provision and environmental provision calculations; and • Assessed the adequacy of the Company's disclosures in the financial statements.

Key audit matter	How our audit addressed the key audit matter
Recoverability of receivables from the Romanian State As part of the privatization agreement, the Company is entitled to the reimbursement by the Romanian State of part of wells abandonment (decommissioning) and environmental costs incurred to restore and clean up areas pertaining to activities prior to privatization in 2004. Consequently, the Company has recorded as receivable from the Romanian State the estimated decommissioning obligations having a net present value of of RON 1,793 million as at December 31, 2019 and the environmental obligations in Downstream Oil with a total net present value of RON 170 million, as these were existing prior to privatization of OMV Petrom S.A. The assessment of the recoverability of the receivables from the Romanian State, requires management to make significant judgements and estimates to assess the uncertainty regarding the expenditure recoverable from Romanian State. The assessment process considers inter alia history of amounts claimed, documentation process related requirements and potential litigation or arbitration proceedings. The Company's disclosures about Environmental and Decommissioning State Receivables are included in Note 2 (Judgements, Estimates and Assumptions) and in Note 8 (Trade Receivables and Other Financial Assets) to the financial statements.	We assessed management's estimate regarding recoverability of the receivables from the Romanian State. Specifically, our work included, but was not limited to, the following procedures: • Read the stipulations of the Annex P of the privatization agreement dated 23 July 2004, related to the acquisition by OMV Aktiengesellschaft of shares in the National Petroleum Company Petrom SA, as approved by Law no. 555/2004. Annex P includes stipulations related to the obligation of the seller (i.e. Ministry of Economy and Commerce) to reimburse the Company for historical environmental losses and abandonment costs, provided certain conditions are met; • Reviewed the management's assessment of the recoverability of the receivables from the Romanian State, including the history of amounts claimed vs. amounts accepted and reimbursed, and discussed with management about the status of the notices of claims submitted to the Romanian State and of the Arbitration process; • Obtained and read the independent lawyers' assessment of the status of the Arbitration, that was considered by the Company for the measurement of the State Receivable • Traced the receivables for which notices of claim have been submitted to the respective notices of claims; • Traced the receivables for which decommissioning was performed but the notices of claim have not yet been submitted to the respective decommissioning costs; • Traced the receivables for which decommissioning has not yet been performed against the respective decommissioning provisions; • Discussed with the management estimates of timing of collection; • Involved our valuation specialists to assist us in the analysis of discount rates and inflation rates • Tested the mathematical accuracy of the calculation of the net present value of the receivables recorded; and • Assessed the adequacy of the Company's disclosures in the financial statements.

Other information

The other information comprises the Annual Report prepared for OMV Petrom Group, the Supervisory Board Report which includes the Director's Report and the Report on payments to governments but does not include the financial statements and our auditors' report thereon. We obtained the Annual Report, prior to the date of our auditor's report, and we expect to obtain the Non-Financial declaration, as part of a separate report, after the date of our auditor's report. Management is responsible for the other information.

Our audit opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Order of the Minister of Public Finance no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

Report on Other Legal and Regulatory Requirements

Reporting on Information Other than the Financial Statements and Our Auditors' Report Thereon

In addition to our reporting responsibilities according to ISAs described in section “Other information”, with respect to the Directors' Report, we have read the Directors' Report and report that:

a) in the Directors' Report we have not identified information which is not consistent, in all material respects, with the information presented in the accompanying financial statements as at December 31, 2019;
b) the Directors' Report identified above includes, in all material respects, the required information according to the provisions of the Ministry of Public Finance Order no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications, Annex 1 points 15 – 19;
c) based on our knowledge and understanding concerning the entity and its environment gained during our audit of the financial statements as at December 31, 2019, we have not identified information included in the Directors' Report that contains a material misstatement of fact.

Other requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014 of the European Parliament and of the Council

Appointment and Approval of Auditor

We were appointed as auditors of the Company by the General Meeting of Shareholders on April 19, 2019 to audit the financial statements for the financial year end December 31, 2019. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 9 years, covering the financial periods end December 31, 2011 till December 31, 2019.

Consistency with Additional Report to the Audit Committee

Our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on February 5, 2020.

Provision of Non-audit Services

No prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Company and we remain independent from the Company in conducting the audit.

In addition to statutory audit services and services disclosed in the notes to the financial statements, no other services were provided by us to the Company, and its controlled undertakings.

On behalf of,

Ernst & Young Assurance Services SRL
15-17, Ion Mihalache Blvd., floor 21, Bucharest, Romania

Autoritatea pentru Supravegherea Publică a Activităţii de Audit Statutar (ASPAAS)
Firma de audit: ERNST & YOUNG ASSURANCE SERVICES S.R.L.
Registrul Public Electronic: FA77

Registered in the electronic Public Register under No. FA77

Autoritatea pentru Supravegherea Publică a Activităţii de Audit Statutar (ASPAAS)
Auditor financiar: Hadjidamianou Andreas
Registrul Public Electronic: AF3357

Name of the Auditor/ Partner: Andreas Hadjidamianou
Registered in the Electronic Public Register under No. AF3357

Bucharest, Romania
17 March 2020

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

	Notes	December 31, 2019	December 31, 2018
ASSETS			
Intangible assets	**5**	3,121.64	3,036.05
Property, plant and equipment	**6**	25,594.27	24,675.51
Investments	**7**	1,896.99	1,878.68
Other financial assets	**8**	2,497.85	2,524.39
Other assets	**9**	203.92	70.72
Deferred tax assets	**17**	1,411.81	1,357.16
Non-current assets		**34,726.48**	**33,542.51**
Inventories	**10**	1,952.39	1,683.32
Trade receivables	**8**	1,857.34	2,026.52
Other financial assets	**8**	472.68	346.47
Other assets	**9**	369.66	385.22
Cash and cash equivalents		6,795.30	4,901.35
Current assets		**11,447.37**	**9,342.88**
Assets held for sale	**11**	217.20	127.91
Total assets		**46,391.05**	**43,013.30**
EQUITY AND LIABILITIES			
Share capital	**12**	5,664.41	5,664.41
Reserves		26,686.54	24,649.14
Total equity		**32,350.95**	**30,313.55**
Provisions for pensions and similar obligations	**13**	232.32	203.38
Interest-bearing debts	**14**	197.88	281.87
Lease liabilities	**6, 15**	399.78	-
Provisions for decommissioning and restoration obligations	**13**	6,390.38	5,867.72
Other provisions	**13**	582.07	184.68
Other financial liabilities	**15**	62.55	136.49
Other liabilities	**16**	13.89	14.84
Non-current liabilities		**7,878.87**	**6,688.98**

The notes on pages 18 to 87 form part of these financial statements.

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

	Notes	December 31, 2019	December 31, 2018
Trade payables	**15**	2,665.96	2,413.37
Interest-bearing debts	**14**	1,510.04	1,730.01
Lease liabilities	**6, 15**	111.24	-
Income tax liabilities		173.50	172.28
Other provisions and decommissioning	**13**	560.95	630.61
Other financial liabilities	**15**	324.04	341.56
Other liabilities	**16**	591.75	619.88
Current liabilities		**5,937.48**	**5,907.71**
Liabilities associated with assets held for sale	**11**	223.75	103.06
Total equity and liabilities		**46,391.05**	**43,013.30**

These financial statements were approved on March 17, 2020.

Christina Verchere
Chief Executive Officer
President of the Executive Board

Alina Popa
Chief Financial Officer
Member of the Executive Board

Peter Zeilinger
Member of the Executive Board
Upstream

Franck Neel
Member of the Executive Board
Downstream Gas

Radu Căprău
Member of the Executive Board
Downstream Oil

Irina Dobre
Vice President Finance Department

Nicoleta Drumea
Head of Financial Reporting

OMV PETROM S.A.
INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2019
(all amounts are expressed in million RON, unless otherwise specified)

	Notes	2019	2018
Sales revenues	18, 26	19,943.71	17,781.59
Other operating income	19	226.39	640.91
Net income from consolidated subsidiaries and equity-accounted investments	20	616.21	449.82
Total revenues and other income		**20,786.31**	**18,872.32**
Purchases (net of inventory variation)		(7,568.34)	(5,606.50)
Production and operating expenses		(3,450.55)	(3,124.01)
Production and similar taxes		(1,176.29)	(1,214.63)
Depreciation, amortization and impairment charges	22	(3,276.10)	(2,971.35)
Selling, distribution and administrative expenses		(828.32)	(710.69)
Exploration expenses		(237.66)	(174.27)
Other operating expenses	21	(232.07)	(187.53)
Operating result	26	**4,016.98**	**4,883.34**
Interest income	23	324.11	195.03
Interest expenses	23	(307.53)	(453.57)
Other financial income and expenses	24	51.08	(20.00)
Net financial result		**67.66**	**(278.54)**
Profit before tax		**4,084.64**	**4,604.80**
Taxes on income	25	(521.05)	(725.15)
Net income for the year		**3,563.59**	**3,879.65**

These financial statements were approved on March 17, 2020.

Christina Verchere
Chief Executive Officer
President of the Executive Board

Alina Popa
Chief Financial Officer
Member of the Executive Board

Peter Zeilinger
Member of the Executive Board
Upstream

Franck Neel
Member of the Executive Board
Downstream Gas

Radu Căprău
Member of the Executive Board
Downstream Oil

Irina Dobre
Vice President Finance Department

Nicoleta Drumea
Head of Financial Reporting

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

	2019	2018
Net income for the year	**3,563.59**	**3,879.65**
Gains/(losses) on hedges arising during the year	24.69	5.02
Reclassification of (gains)/losses on hedges to income statement	3.26	-
Total of items that may be reclassified ("recycled") subsequently to the income statement	**27.95**	**5.02**
Remeasurement gains/ (losses) on defined benefit plans	(24.16)	8.26
Total of items that will not be reclassified ("recycled") subsequently to the income statement	**(24.16)**	**8.26**
Income tax relating to items that may be reclassified ("recycled") subsequently to the income statement	(4.47)	(0.80)
Income tax relating to items that will not be reclassified ("recycled") subsequently to the income statement	3.87	(1.32)
Total income tax relating to components of other comprehensive income	**(0.60)**	**(2.12)**
Other comprehensive income for the year, net of tax	**3.19**	**11.16**
Total comprehensive income for the year	**3,566.78**	**3,890.81**

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

	Share capital	Revenue reserves	Cash flow hedge reserve	Other reserves	Treasury shares	Total equity
Balance at January 1, 2019	**5,664.41**	**24,569.29**	**4.22**	**75.65**	**(0.02)**	**30,313.55**
Net income for the year	-	3,563.59	-	-	-	**3,563.59**
Other comprehensive income/(loss) for the year	-	(20.29)	23.48	-	-	**3.19**
Total comprehensive income for the year	**-**	**3,543.30**	**23.48**	**-**	**-**	**3,566.78**
Dividends distribution	-	(1,529.38)	-	-	-	**(1,529.38)**
Balance at December 31, 2019	**5,664.41**	**26,583.21**	**27.70**	**75.65**	**(0.02)**	**32,350.95**

For details on equity components, see Note 12.

OMV PETROM S.A.
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in million RON, unless otherwise specified)

	Share capital	Revenue reserves	Cash flow hedge reserve	Other reserves	Treasury shares	Total equity
Balance at January 1, 2018	**5,664.41**	**21,820.19**	**-**	**75.54**	**(0.02)**	**27,560.12**
Effect of initial application of new accounting standards (IFRS 9)	-	(4.61)	-	-	-	(4.61)
Adjusted balance January 1, 2018	**5,664.41**	**21,815.58**	**-**	**75.54**	**(0.02)**	**27,555.51**
Net income for the year	-	3,879.65	-	-	-	3,879.65
Other comprehensive income for the year	-	6.94	4.22	-	-	11.16
Total comprehensive income for the year	**-**	**3,886.59**	**4.22**	**-**	**-**	**3,890.81**
Dividends distribution	-	(1,132.88)	-	-	-	(1,132.88)
Other changes	-	-	-	0.11	-	0.11
Balance at December 31, 2018	**5,664.41**	**24,569.29**	**4.22**	**75.65**	**(0.02)**	**30,313.55**

For details on equity components, see Note 12.

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

	Notes	2019	2018
Profit before tax		**4,084.64**	**4,604.80**
Dividend income		(558.99)	(446.35)
Interest income	**23**	(231.43)	(146.96)
Interest expenses and other financial expenses	**23, 24**	64.01	112.71
Net movement in provisions and allowances for:			
- Investments and loans		(108.98)	(4.04)
- Inventories		(1.86)	(1.51)
- Receivables		(34.06)	48.65
- Pensions and similar liabilities		4.78	(4.78)
- Decommissioning and restoration obligations		30.29	70.93
- Other provisions for risk and charges		230.02	(49.99)
Gain on transfer of business	**29**	(51.77)	-
Net gains on the disposal of non-current assets	**19, 21**	(14.35)	(6.22)
Depreciation, amortization and impairments including write-ups		3,401.89	2,663.54
Other non-monetary adjustments		(233.47)	66.51
Dividends received		558.99	446.02
Interest received		176.49	139.11
Interest and other financial costs paid		(58.12)	(96.29)
Tax on profit paid		(569.47)	(464.69)
Cash generated from operating activities before working capital movements		**6,688.61**	**6,931.44**
Increase in inventories		(271.04)	(80.88)
Decrease/(increase) in receivables and other assets		210.32	(638.56)
Increase in liabilities		292.59	278.84
Cash flow from operating activities		**6,920.48**	**6,490.84**
Investments			
Intangible assets and property, plant and equipment		(3,695.95)	(4,146.52)
Investments in subsidiaries	**29**	124.26	(1,367.53)
Net loans reimbursed by subsidiaries	**29**	126.48	498.59
Disposals			
Proceeds in relation to non-current assets		246.71	48.64
Proceeds from transfer of business	**29**	78.58	-
Proceeds from disposal of investments	**29**	-	13.21
Cash flow from investing activities		**(3,119.92)**	**(4,953.61)**
Increase in/(repayment of) loans taken from subsidiaries	**29**	(84.46)	1,076.62
Net repayment of other borrowings	**29**	(307.71)	(370.97)
Dividends paid		(1,515.82)	(1,122.72)
Cash flow from financing activities		**(1,907.99)**	**(417.07)**
Effect of foreign exchange rate changes on cash and cash equivalents		1.38	1.06
Net increase in cash and cash equivalents		**1,893.95**	**1,121.22**
Cash and cash equivalents at the beginning of the year		**4,901.35**	**3,780.13**
Cash and cash equivalents at the end of the year		**6,795.30**	**4,901.35**

1. LEGAL PRINCIPLES AND BASIS OF PREPARATION

OMV Petrom S.A. (22 Coralilor Street, 013329 Bucharest, Romania), hereinafter referred to also as "the Company" or "OMV Petrom", has activities in Upstream, Downstream Oil and Downstream Gas business segments and it is listed on Bucharest Stock Exchange under "SNP" code and on London Stock Exchange under "PETB" and "PETR" codes.

Stockholders' structure as at December 31, 2019 and 2018 was as follows:

	Percent
OMV Aktiengesellschaft	51.011%
Romanian State	20.639%
Fondul Proprietatea S.A.	9.998%
Legal entities and private individuals	18.352%
Total	**100.000%**

As of December 31, 2019 the number of global depository receipts (GDRs) is 182,780, equivalent of 27,417,000 ordinary shares, representing 0.048% of the share capital.

As of December 31, 2018 the number of GDRs was 237,922, equivalent of 35,688,300 ordinary shares, representing 0.063% of the share capital.

Statement of compliance

The separate financial statements ("financial statements") of the Company have been prepared in accordance with the provisions of Ministry of Finance Order no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications.

The Company also prepares consolidated financial statements in accordance with IFRS as endorsed by the EU, which are available on the Company's website
www.omvpetrom.com/portal/01/petromcom/petromcom/OMV_Petrom/Relatia_cu_investitorii.

The financial year corresponds to the calendar year.

Basis of preparation

The financial statements of OMV Petrom S.A. are presented in RON ("Romanian Leu"), using going concern principles. All values are presented in millions, rounded to the nearest two decimals. The financial statements have been prepared on the historical cost basis, except for certain items that have been measured at fair value as described in Note 3 Accounting and valuation principles. For financial assets and liabilities where fair value differs from carrying amounts at the reporting date, fair values have been disclosed in Note 30.

2. JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Other disclosures relating to the Company's exposure to risks and uncertainties in relation to capital management and financial risk management and policies are included in Note 33.

Changes in estimates are accounted for prospectively.

Correction of material prior period errors is made retrospectively, through retained earnings, by restating the comparative amounts for the prior period(s) presented in which the error occurred or if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented. Errors which are not material are corrected in the period when they are discovered, through the income statement.

Estimates and assumptions

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

a) Oil and gas reserves

Mineral reserves (oil and gas reserves) are estimated by the Company's own engineers, in accordance with international and industry agreed standards, based on the availability of geological and engineering data, reservoir performance data, drilling of new wells and commodity prices. The estimates are audited externally every two years. Commercial reserves are determined using estimates of hydrocarbons in place, recovery factors and future oil and gas prices.

The oil and gas assets are depreciated on a unit of production basis at a rate calculated by reference to either total proved or proved developed reserves (please refer to Depreciation, amortization and depletion accounting policy below), determined as presented above. The carrying amount of oil and gas assets at December 31, 2019 is shown in Notes 5 and 6.

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

b) Decommissioning costs

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

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

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

2. JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates of future restoration costs are based on current contracts concluded with suppliers, reports issued by OMV Petrom engineers as well as past experience. Downward changes in the expected future costs or postponement in the future affect both the provision and the related asset, to the extent that there is sufficient carrying amount, otherwise the provision is reversed to income statement.

Provisions for restoration costs require estimates of discount rates and inflation rates. These estimates have a material effect on the amount of the provisions (see Note 13).

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

c) Impairment of non-financial assets

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

Impairment testing in Upstream

In 2019, based on management estimations regarding long term Brent oil price and production volumes, an analysis of the triggering events was performed and it was concluded that there are no indicators for impairment or for reversal of impairment, consequently no impairment test is necessary.

In 2018, based on management estimations regarding long term Brent oil price and production volumes, a triggering events analysis was performed and an impairment test was done where triggers for impairment or reversal of impairment were identified.

The nominal oil price assumptions and the RON/USD exchange rate used for impairment testing in 2018 are mentioned below:

	2019	2020	2021	2022	2023
Brent oil price (USD/bbl)	70	70	75	75	75
RON/USD exchange rate	3.96	3.96	3.96	3.96	3.96
Brent oil price (RON/bbl)	277	277	297	297	297

The long-term price assumptions from 2024 onwards were derived from USD 75 per barrel for Brent oil price inflated for the remaining life of each asset.

The key valuation assumptions for the recoverable amounts of Upstream assets are the oil and natural gas prices, production volumes and the discount rates. The production profiles were estimated based on past experience and represent management's best estimate of future production. The cash-flow projections for the first five years are based on the mid-term plan and thereafter on a "life of field" planning, and therefore cover the whole life term of the field.

Following the impairment test performed, the reversal of an impairment previously recorded amounting to RON 430.40 million was recognized as at December 31, 2018.

The after-tax discount rate used was 9.61%. The recoverable amount was based on the value in use.

2. JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Impairment testing in Downstream

In the Downstream Oil business, besides the discount rates, the recoverable amounts are mainly impacted by the indicator refinery margin and the utilization rate in the refinery and by the retail margin and sales volumes in retail.

In the Downstream Gas business, besides the discount rates, the main valuation assumptions for the calculation of the recoverable amounts are the spark spreads and net electrical output for power plant.

In 2019 and 2018, based on management estimations, it was concluded that there were no triggering indicators for performing any impairment test in Downstream.

d) Exploration and evaluation expenditure

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

e) Recoverability of Romanian State receivable

Management is periodically assessing the recoverability of the receivable related to expenditure recoverable from the Romanian State related to obligations for decommissioning and environmental costs, which was recognized based on the privatization agreement. The assessment process considers inter alia history of amounts claimed, documentation process related requirements and potential litigation or arbitration proceedings.

Judgments

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

a) Cash generating units

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

b) Contingencies

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

2. JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

c) Lease term and incremental borrowing rate

OMV Petrom determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company has lease contracts which include prolongation and termination options. When determining the lease term to be used for the measurement of the lease, the Company takes into account all the relevant facts and circumstances that create an economic incentive for exercising either the renewal or termination option of the lease term, such as market factors, the extent of oil and gas reserves or other relevant facts.

The Company cannot readily determine the interest rate implicit in its leases. Therefore, it uses the relevant incremental borrowing rate to measure lease liabilities. The incremental borrowing rates were determined taking into consideration factors such as the term of the lease, credit risk, currency in which the lease was denominated and economic environment.

3. ACCOUNTING AND VALUATION PRINCIPLES

3.1. First time adoption of new or revised standards

The accounting policies adopted are consistent with those of the previous financial year except for the changes as described below.

The Company has initially adopted IFRS 16 Leases from January 1, 2019. The effects of this standard are described in the following paragraphs.

IFRS 16 Leases

This standard replaces IAS 17 and sets out new rules for lease accounting. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (‘lessee’) and the supplier (‘lessor’).

For the lessee’s accounting, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as was required by IAS 17 and, instead, introduces a single lessee accounting model. Applying that model, a lessee is required to recognize right-of-use assets and liabilities for leases in the scope of IFRS 16 and depreciation of the right-of-use assets separately from interest on lease liabilities in the income statement. The right-of-use assets are depreciated on a straight-line basis over the shorter of the asset’s useful life and the lease term. Interest expense is charged to income statement over the lease period on the remaining balance of the lease liability for each period. For lessors, there are minor changes compared to IAS 17.

On transition to IFRS 16, OMV Petrom applied the practical expedient to grandfather the assessment of which transactions are leases. This means it applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under the previous standard were not reassessed for whether they are leases. Additionally, OMV Petrom did not recognize any right-of-use assets and lease liabilities for contracts which expire in 2019 because they are treated as short-term leases.

Leases to explore for and use oil and natural gas, which comprise mainly land leases used for such activities, are not in the scope of IAS 17 and IFRS 16. In addition, some commitments are covered by the exceptions for short-term and low-value leases. Consequently, right-of-use assets and lease liabilities were not recognized for these contracts. Moreover, non-lease components are separated from the lease components for measurement of right-of-use assets and lease liabilities.

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

3. ACCOUNTING AND VALUATION PRINCIPLES (continued)

OMV Petrom initially applied IFRS 16 on January 1, 2019 using the modified retrospective approach for transition, thus not restating comparative amounts for the comparative period presented. The right-of-use assets for previous operating leases were measured at the date of initial application at the amount of the lease liability, adjusted by prepaid or accrued lease payments. The lease liabilities were measured at the present value of the lease payments over the remaining lease term, discounted using the incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental borrowing rate applied to these lease liabilities on January 1, 2019 was 0.81%.

The first-time application of IFRS 16 resulted in recognizing RON 149.08 million as right-of-use assets (see Note 6) and RON 136.92 million as lease liabilities for previous operating leases. For leases previously classified as finance leases the Company recognized the carrying amount of the lease asset and lease liability before transition as the carrying amount of the right-of-use asset and lease liability at the date of initial application. In the statement of financial position, the right-of-use assets are presented within the Property, plant and equipment line and lease liabilities are shown in separate lines, within current liabilities and non-current liabilities.

Reconciliation of future operating lease commitments as at December 31, 2018 to lease liability as at January 1, 2019

	January 1, 2019
Future minimum lease payments under non-cancellable operating leases as at December 31, 2018	**123.73**
less minimum lease payments for short-term leases	(19.55)
less minimum lease payments for low value leases	-
plus minimum lease payments under reasonably certain prolongation or termination options	46.45
Gross lease liability for previously unrecognized operating lease commitments as at January 1, 2019	**150.63**
less discounting effect as at January 1, 2019	(13.70)
Lease liability for previously unrecognized operating lease commitments as at January 1, 2019	**136.92**
Finance lease liability recognized as at 31 December, 2018	155.31
Lease liability recognized as at January 1, 2019	**292.24**

Additionally, the Company has adopted the following amended standards and interpretations with the date of initial application of January 1, 2019:

- **IFRS 9: Prepayment features with negative compensation (Amendment)**
  The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortized cost or at fair value through other comprehensive income.

- **IAS 28: Long-term Interests in Associates and Joint Ventures (Amendments)**
  The Amendments relate to whether the measurement, in particular impairment requirements, of long-term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long- term interests that arise from applying IAS 28.

3. ACCOUNTING AND VALUATION PRINCIPLES (continued)

- **IFRIC Interpretation 23: Uncertainty over Income Tax Treatments**
  The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances.

- **IAS 19: Plan Amendment, Curtailment or Settlement (Amendments)**
  The Amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The Amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements.

- **Annual Improvements to IFRSs 2015 – 2017 Cycle**, which is a collection of amendments to IFRSs:

  - ***IFRS 3 Business Combinations and IFRS 11 Joint Arrangements*:** The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

  - ***IAS 12 Income Taxes*:** The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.

  - ***IAS 23 Borrowing Costs*:** The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

These amendments and interpretations did not have a significant impact on the financial statements of the Company.

3.2. New or revised standards and interpretations not yet mandatory

OMV Petrom has not applied the following new or revised IFRSs and interpretations that have been issued but are not yet effective. EU endorsement is still pending in some cases.

- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**
  The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting.

- **Conceptual Framework in IFRS standards**
  The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets

3. ACCOUNTING AND VALUATION PRINCIPLES (continued)

out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

- **IFRS 3: Business Combinations (Amendments)**
  The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, with earlier application permitted.

- **IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of ‘material’ (Amendments)**
  The Amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Amendments clarify the definition of material and how it should be applied. The new definition states that, ’Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity’. In addition, the explanations accompanying the definition have been improved. The Amendments also ensure that the definition of material is consistent across all IFRS Standards.

- **Interest Rate Benchmark Reform - IFRS 9, IAS 39 and IFRS 7 (Amendments)**
  The amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. Earlier application is permitted. In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. Phase two will focus on issues that could affect financial reporting when an existing interest rate benchmark is replaced with a risk-free interest rate (an RFR). The amendments published, deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The amendments provided temporary reliefs, applicable to all hedging relationships that are directly affected by the interest rate benchmark reform, which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. There are also amendments to IFRS 7 Financial Instruments: Disclosures regarding additional disclosures around uncertainty arising from the interest rate benchmark reform.

- **IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)**
  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments.

The Company is currently assessing the impact of adopting these amendments on the financial statements, and it does not expect it to be significant.

3. ACCOUNTING AND VALUATION PRINCIPLES (continued)

3.4. Summary of accounting and valuation principles

a) Pre-licence costs

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

b) Licence acquisition costs

Exploration licence acquisition costs are capitalized in intangible assets.

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

If no future activity is planned or the licence has been relinquished or has expired, the carrying value of the licence acquisition costs is written off through the income statement.

Upon recognition of proved reserves and internal approval for development, the relevant expenditure is transferred to oil and gas assets within tangible assets.

c) Exploration and evaluation costs

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

d) Development and production costs

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

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

e) Intangible assets and property, plant and equipment

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

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

3. ACCOUNTING AND VALUATION PRINCIPLES (continued)

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

Depreciation and amortization is calculated on a straight-line basis, except for Upstream assets, where depletion occurs to a large extent on a unit-of-production basis. In the income statement, impairment losses for exploration assets are disclosed as exploration expenses, and those for other assets are reported as depreciation, amortization and impairment charges.

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

For the application of the unit of production depreciation method, the Company has separated the areas where it operates into regions. The unit of production factor is computed at the level of each productive region, based on the extracted quantities and the proved reserves or proved developed reserves as applicable.

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

The right-of-use assets are depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term.

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

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

3. ACCOUNTING AND VALUATION PRINCIPLES (continued)

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

Assets classified as held for sale are disclosed at the lower of carrying value and fair value net of any disposal costs. Non-current assets and groups of assets are classified as held for sale if their carrying value will be recovered principally through a sale transaction rather than through continuing use. This classification requires that the sale must be estimated as highly probable, and that the asset must be available for immediate disposal in its present condition. The highly probable criteria implies that management must be committed to the sale and an active plan to locate a buyer was initiated, the transaction should be expected to qualify for recognition as a completed sale within one year from the date of classification (except if certain conditions are met), the asset is actively marketed at a price that is reasonable in relation to its current fair value and that it is unlikely that significant changes will occur to the sale plan or that the plan will be withdrawn. Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale.

Impairment of intangible assets and property, plant and equipment

In accordance with IAS 36, intangible assets as well as property, plant and equipment are reviewed at reporting date for any indications of impairment. For intangible assets with indefinite useful lives, impairment tests are carried out annually. This applies even if there are no indications of impairment. Impairment tests are performed on the level of cash generating units which generate cash inflows that are largely independent of those from other assets or groups of assets.

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

If the carrying amount of an asset or cash generating unit exceeds its recoverable amount, the asset is considered impaired and an impairment loss is recognized to reduce the asset to its lower recoverable amount. Impairment losses are recognized in the income statement under depreciation, amortization and impairment charges and under exploration expenses.

If the reasons for impairment no longer apply in a subsequent period, a reversal is recognized in income statement. The increased carrying amount related to the reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization and depreciation) had no impairment loss been recognized in prior years.

f) Major maintenance and repairs

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

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

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

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

3. ACCOUNTING AND VALUATION PRINCIPLES (continued)

g) Leases

OMV Petrom as a lessee recognizes lease liabilities and right-of-use assets for all lease contracts. Exempted from the recognition are the short-term leases, i.e. leases with lease term less than 12 months, and leases in which the underlying asset is of low value. These exemptions are applied for all asset classes. Additionally, leases of exploration and production licenses and land leases that are directly related to the exploration or production of natural gas or oil are scoped out from the recognition criteria. The rent for these contracts is recognized on a straight-line basis over the contract term.

At the commencement date of the lease (i.e. the date the underlying asset is available for use), lease liabilities are recognized at the net present value of fixed lease payments and lease payments which depend on an index or rate over the determined lease term with the applicable discount rate. The Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

The amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there are changes in the lease term, lease payments or in the assessment of an option to purchase the underlying asset.

Right-of-use assets are recognized at commencement date and measured at the present value of the lease liability plus prepayments and initial direct costs. After the commencement date, right-of-use assets are measured at cost, less any accumulated depreciation and any accumulated impairment losses (See Note 3e) and adjusted for any remeasurement of the lease liability, if the case.

Variable lease payments that do not depend on an index or a rate are recognized as expenses, in the period in which the event or condition that triggers the payment occurs.

The Company does not recognize the service components of the lease payments in the lease liability or right-of-use assets.

OMV Petrom as a lessor entered in contracts which were assessed as operating leases, for which received payments for rent are recognized as revenue from rents and leases over the period of the lease.

In case of sublease agreements where the lease term represents a significant part of the lease term of the head lease contract or the present value of the lease payments amounts to at least substantially all of the fair value of the underlying asset, right-of-use assets are derecognized and net investments in the lease are recognized. For these finance subleases OMV Petrom recognizes interest income over the lease term.

The classification and measurement provisions of IFRS 16 were applied using the modified retrospective method, without restating the figures of the comparative period, which continue to be reported under the previous accounting standard for leases IAS 17. Differences between the lease accounting according to IFRS 16 and IAS 17 are disclosed in Note 3.1.

h) Financial instruments

Non-derivative financial assets

At initial recognition, OMV Petrom classifies its financial assets as subsequently measured at amortized cost, fair value through other comprehensive income (OCI) or fair value through profit or loss. The classification depends both on the Company’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

3. ACCOUNTING AND VALUATION PRINCIPLES (continued)

Debt instruments are classified and measured **at amortized cost** if both of the following conditions are met:

► the asset is held within the business model whose objective is to hold financial assets in order to collect contractual cash flows; and

► the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost using the effective interest method less any impairment losses. Interest income, impairment losses and gains or losses on derecognition are recognized in profit or loss. The Company's financial assets at amortised cost include mainly trade receivables.

OMV Petrom recognizes allowances for expected credit losses (ECLs) for financial assets measured at amortized costs. The ECL calculation is based on external or internal credit ratings of the counterparty, associated probabilities of default and loss given default. External credit rating is based mainly on reports issued by well-known rating agencies and is reflected in OMV Petrom by grouping financial assets in five risk classes (risk class 1 being the lowest risk category). The probabilities of default used for each risk class, as presented in Note 8, are based on Standard & Poor's average global corporate default rates. A loss given default of 45% was applied for computation of ECL of financial assets which are not credit impaired. Available forward-looking information is taken into account, if it has a material impact on the amount of valuation allowance recognized.

ECLs are recognized in two stages:

i. Where there has not been a significant increase in the credit risk since initial recognition, credit losses are measured at 12 month ECLs. The 12 month ECL is the credit loss which results from default events that are possible within the next 12 months. The Company considers a financial asset to have low credit risk when its credit risk rating is equivalent to the definition of 'investment grade'.

ii. Where there has been a significant increase in the credit risk since initial recognition, a loss allowance is required for the lifetime ECL, i.e. the expected credit losses resulting from possible default events over the expected life of a financial asset. For this assessment, OMV Petrom considers all reasonable and supportable information that is available without undue cost or effort. Furthermore, OMV Petrom assumes that the credit risk on a financial asset has significantly increased if it is more than 30 days past due. If the credit quality improves for a lifetime ECL asset, OMV Petrom reverts to recognizing allowances on a 12 month ECL basis. A financial asset is considered to be in default when the financial asset is 90 days past due unless there is reasonable and supportable information that demonstrate that a more lagging default criterion is appropriate. A financial asset is written off when there is no reasonable expectation that the contractual cash flows will be recovered.

For trade receivables a simplified approach is adopted, where the impairment losses are recognized at an amount equal to lifetime expected credit losses. In case there are credit insurances or securities held against the balances outstanding, the ECL calculation is based on the probability of default of the insurer/securer for the insured/secured element of the outstanding balance and the remaining amount will take the probability of default of the counterparty.

Non-derivative financial assets classified as **at fair value through profit or loss** include trade receivables from sales contracts with provisional pricing because the contractual cash flows do not represent solely payments of principal and interest on the principal amount outstanding. Furthermore, this measurement category includes portfolios of trade receivables held with an intention to sell them. These assets are measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

Equity instruments may be elected irrevocably as measured **at fair value through other comprehensive income** if they are not held for trading.

Interests in subsidiaries, associates and joint ventures that are accounted for in accordance with IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements, or IAS 28 Investments in Associates and Joint Ventures are measured at cost less any impairment losses.

3. ACCOUNTING AND VALUATION PRINCIPLES (continued)

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

Financial assets are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company.

Rights to payments to reimburse the Company for expenditure that it is required to make to settle a liability that is recognized as a provision in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets are outside the scope of IFRS 9. Expenditure recoverable from Romanian State falls under this category.

Non-derivative financial liabilities

Non-derivative financial liabilities are carried at amortized cost except for contingent consideration related to acquisition of financial assets, which is measured at fair value at the date of acquisition and subsequently measured at fair value with the changes in fair value recognized in income statement. Long-term liabilities are discounted using the effective interest rate method (EIR).

A financial liability (or a part of a financial liability) is removed from the statement of financial position when it is extinguished – i.e. when the obligation specified in the contract is discharged or cancelled or expires.

Derivative financial instruments and hedge accounting

Derivative instruments are used to hedge risks resulting from changes in currency exchange rates and commodity prices. Derivative instruments are recognized at fair value. Unrealized gains and losses are recognized as income or expense, except where hedge accounting is applied. The Company has applied IFRS 9 requirements on hedge accounting.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

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

For cash flow hedges, the effective part of the changes in fair value is recognized in other comprehensive income, while the ineffective part is recognized immediately in the income statement. Where the hedging of cash flows results in the recognition of a non-financial asset or liability, the carrying value of that item will be adjusted for the accumulated gains or losses recognized directly in other comprehensive income.

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

3. ACCOUNTING AND VALUATION PRINCIPLES (continued)

of the embedded derivatives are not closely related to the economic characteristics and risks of the host contract.

i) Borrowing costs

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

j) Government grants

Government grants – except for emission rights (see Note 3.3 l) – are recognized as deferred income or deducted from the related asset where it is reasonable to expect that the granting conditions will be met and that the grants will be received.

k) Inventories

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

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

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

l) Provisions

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

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

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

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

3. ACCOUNTING AND VALUATION PRINCIPLES (continued)

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

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

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

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

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

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

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

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

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

Emission allowances received free of cost from governmental authorities (EU Emissions Trading Scheme for greenhouse gas emissions allowances) reduce obligations for CO_2 emissions and are recognized based on net approach for Government Grant (i.e. zero value in accounting). Provisions are recognized only for shortfalls. The provision for a shortfall is initially measured at the best estimation of expenditure required to settle the obligation. The related expense is recognized as emission costs, included in production and operating expenses. If, subsequently to the recognition of a provision, emission rights are purchased then an asset is only recognized for the excess of the emission rights over the CO_2 emissions. Any price difference between the provision and the value of offsetting emission rights is expensed as emission cost.

3. ACCOUNTING AND VALUATION PRINCIPLES (continued)

m) Taxes on income and royalties

Current tax

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

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

Deferred tax

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

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

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

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

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

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

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

3. ACCOUNTING AND VALUATION PRINCIPLES (continued)

Production taxes

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

n) Revenue recognition

Revenues from contracts with customers

Revenue is generally recognized when the control over a product or a service is transferred to a customer. It is measured based on the consideration to which is expected to be entitled based on the contract with a customer and excludes amounts collected on behalf of third parties.

When the performance obligation is not yet satisfied, but the consideration from customers is either received or due, OMV Petrom recognizes contract liabilities which are reported as other liabilities in the statement of financial position.

When goods such as crude oil, LNG, oil products and similar goods are sold, the delivery of each quantity unit normally represents a single performance obligation. Revenue is recognized when control of the goods has transferred to the customer, which is the point in time when legal ownership as well as the risk of loss has passed to the customer and is determined on the basis of the Incoterm agreed in the contract with the customer. These sales are done with normal credit terms according to the industry standards.

In the Downstream Oil retail business, revenues from the sale of petroleum products are recognized at a point in time, when products are supplied to the customers. Depending on whether the Company acts as a principal or as an agent in the sale of shop merchandise, revenue and costs related to such sales are presented gross or net in the income statement. The Company acts as principal if it controls the goods before they are transferred to the customer. The Company has control over the goods when it bears the inventory risk before the goods have been transferred to the customers. A second indicator for having control of the goods before transferring them to the customer is the Company's ability to establish the price of goods. For sales of non-oil products, the Company considers this as being a secondary criterion, therefore, if the Company has the ability to set the price but it does not have inventory risk before transferring the goods to the customer, it acts as an agent in providing the goods.

The Company's gas and power supply contracts include a single performance obligation which is satisfied over the agreed delivery period. Revenue is recognized according to the consumption by the customer and in line with the amount to which the Company has a right to invoice. In case long-term gas supply contracts contain stepped prices, in different periods, the rates do not reflect the value of the goods at the time of delivery. For these cases, revenue is recognized based on the average contractual price.

In some contracts for the delivery of natural gas, the fees charged to the customer comprise a fixed charge as well as a variable fee depending on the volumes delivered. These contracts contain only one performance obligation which is represented by the availability of supply for the delivery of gas over a certain period. The revenue from fixed charges and the variable fees is recognized in line with the amount chargeable to the customer. Gas and power deliveries are billed and paid on a monthly basis.

Gas storage and gas transportation contracts contain a stand-ready obligation for providing storage or transportation services over an agreed period of time. Revenue is recognized according to the amount to which the Company has a right to invoice for those transactions in which it acts in the capacity of principal. These services are billed and paid on a monthly basis.

3. ACCOUNTING AND VALUATION PRINCIPLES (continued)

Power and gas sales are often subject to fees or tariffs for facilitating the transfer of goods and services. When the Company does not control the services related to such fees and tariffs, before are transferred to the customer and when it is not involved in the rendering of the service nor does it control the pricing, the Company is only an agent in providing these services.

As the revenues are recognized in the amount to which has a right to invoice, OMV Petrom applies the practical expedient according to IFRS 15.121, in accordance with which the amount for unsatisfied remained performance obligations need not be disclosed.

Revenues from other sources

Revenues from other sources include mainly the impact from commodity sales/purchases transactions that are within the scope of IFRS 9 Financial Instruments, as well as rental and lease revenues.

Dividend and interest income

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

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

o) Cash and cash equivalents

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

p) Joint arrangements

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

As of December 31, 2019 and December 31, 2018 the Company has interests only in joint operations.

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

The Company recognizes its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. The Company accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation, line by line, in its financial statements.

The material joint arrangements where OMV Petrom is partner, as well as commitments in relation to the joint arrangements, are presented in Note 32.

4. FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are recorded at the exchange rate ruling on transaction date. Monetary assets and liabilities expressed in foreign currency are converted into RON at the exchange rate on the balance sheet date, communicated by the National Bank of Romania:

Currencies	December 31, 2019	December 31, 2018
Euro (EUR)	4.7793	4.6639
US dollar (USD)	4.2608	4.0736

All differences resulting from foreign currency amounts settlements are recognized in income statement in the year they occurred. Unrealized foreign exchange gains and losses related to monetary items are recognized in income statement for the year.

The functional currency of the Company, assessed in accordance with IAS 21, is the RON.

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

5. INTANGIBLE ASSETS

	Concessions, licences and other intangible assets	Oil and gas assets with unproved reserves	Total
COST			
Balance as at January 1, 2019	**1,274.59**	**3,287.74**	**4,562.33**
Additions *)	19.94	337.41	357.35
Transfers (Note 6)	0.45	(213.50)	(213.05)
Disposals	(0.05)	-	(0.05)
Balance as at December 31, 2019	**1,294.93**	**3,411.65**	**4,706.58**
ACCUMULATED AMORTIZATION AND IMPAIRMENT			
Balance as at January 1, 2019	**1,208.51**	**317.77**	**1,526.28**
Amortization	4.75	-	4.75
Impairment	-	126.99	126.99
Transfers (Note 6)		(73.03)	(73.03)
Disposals	(0.05)	-	(0.05)
Balance as at December 31, 2019	**1,213.21**	**371.73**	**1,584.94**
CARRYING AMOUNT			
As at January 1, 2019	**66.08**	**2,969.97**	**3,036.05**
As at December 31, 2019	**81.72**	**3,039.92**	**3,121.64**

Oil and gas assets with unproved reserves include mainly expenditure capitalized in relation to Neptun project. OMV Petrom remains keen to see the Neptun Deep strategic project being developed. Based on management assessment it was concluded that there are no impairment triggers as at December 31, 2019.

*) Includes the amount of RON 0.46 million representing additions on decommissioning asset for exploration wells (under category "Oil and gas assets with unproved reserves").

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

6. PROPERTY, PLANT AND EQUIPMENT

COST	Land, land rights and buildings, incl. buildings on third-party property	Oil and gas assets	Plant and machinery	Other fixtures and fittings, tools and equipment	Assets under construction	Total
Balance as at January 1, 2019	**2,393.40**	**37,503.89**	**9,740.95**	**344.79**	**848.05**	**50,831.08**
Recognition of right-of-use asset on initial application of IFRS 16	51.13	-	-	97.95	-	149.08
Adjusted balance January 1, 2019	**2,444.53**	**37,503.89**	**9,740.95**	**442.74**	**848.05**	**50,980.16**
Additions*)	56.49	3,258.22	445.66	292.67	92.22	4,145.26
Transfers **)	65.28	79.91	427.09	12.38	(513.25)	71.41
Transfers to assets held for sale	(2.82)	(752.58)	(20.08)	(5.98)	0.06	(781.40)
Disposals	(20.78)	(537.40)	(187.32)	(39.58)	(0.94)	(786.02)
Balance as at December 31, 2019	**2,542.70**	**39,552.04**	**10,406.30**	**702.23**	**426.14**	**53,629.41**
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
Balance as at January 1, 2019	**1,039.93**	**19,244.13**	**5,603.48**	**250.00**	**18.03**	**26,155.57**
Depreciation	106.67	1,869.74	676.72	70.76	-	2,723.89
Impairment	1.45	540.53	9.12	0.85	0.94	552.89
Transfers **)	(0.16)	49.90	(118.10)	(0.25)	-	(68.61)
Transfers to assets held for sale	(1.44)	(547.23)	(13.16)	(4.54)	-	(566.37)
Disposals	(14.65)	(531.42)	(174.90)	(35.14)	(0.94)	(757.05)
Write-ups	-	(4.81)	(0.37)	-	-	(5.18)
Balance as at December 31, 2019	**1,131.80**	**20,620.84**	**5,982.79**	**281.68**	**18.03**	**28,035.14**
CARRYING AMOUNT						
As at January 1, 2019	**1,353.47**	**18,259.76**	**4,137.47**	**94.79**	**830.02**	**24,675.51**
As at December 31, 2019	**1,410.90**	**18,931.20**	**4,423.51**	**420.55**	**408.11**	**25,594.27**

*) Includes the amount of RON 565.18 million representing increase from reassessment of the decommissioning asset.
**) Transfers are in net amount of RON 140.02 million and represent transfers from intangibles (see Note 5)and the reclassification of the tangible assets under former finance leases to right-of-use assets at their net carrying amount, following IFRS 16 implementation.

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

6. PROPERTY, PLANT AND EQUIPMENT (continued)

Expenditure capitalized in the course of construction of tangible and intangible assets amounts to RON 537.12 million (2018: RON 480.08 million).

For details on impairments see Note 22.

OMV Petrom as a lessee

OMV Petrom as a lessee recognized right-of-use assets related mainly to cars, rail cars and other transportation vehicles, the hydrogen plant at Petrobrazi Refinery and power generators, as well as other land and office buildings leases.

Due to the nature of oil and gas operations, some lease contracts include the possibility for OMV Petrom as a lessee to extend or terminate the original lease term. The existence of such options is a business necessity, as the activities are largely dependent on the market factors and on the existence of oil and gas reserves. These provide operational flexibility in terms of managing the assets used in the Company's operation. These options are assessed by OMV Petrom at lease commencement whether it is reasonably certain that they will be exercised or not.

Right-of-use assets recognized under IFRS 16

	Land and buildings	Plant and machinery	Other fixtures, fittings and equipment	Total
Finance lease assets as at January 1, 2019	2.06	139.68	0.32	142.06
Right-of-use assets recognized at transition	51.13	-	97.95	149.08
Right-of-use assets as at January 1, 2019	**53.19**	**139.68**	**98.27**	**291.14**
Additions	6.94	9.89	289.93	306.76
Depreciation	(6.21)	(29.24)	(51.57)	(87.02)
Other movements	(3.29)	(16.26)	(2.69)	(22.24)
Right-of-use assets as at December 31, 2019	**50.63**	**104.07**	**333.94**	**488.64**

Amounts recognized in income statement

	2019
Operating result	
Short-term lease expenses	48.91
Low-value lease expenses	0.48
Variable lease expenses	3.51
Depreciation expense of right-of-use assets	87.02
Net financial result	
Interest expense on lease liabilities	6.49
Foreign exchange loss on lease liabilities	6.41

In addition, OMV Petrom incurred short-term lease costs of RON 240.08 million, which were capitalized in the cost of other assets.

Variable lease payments expensed in 2019, in amount of RON 3.51 million, were related to contingent rent mainly for power generators equipment, determined based on quantities.

For other information on lease liability please see Notes 15 and 29 a).

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

7. INVESTMENTS

As at December 31, 2019 the Company had investments in the following companies:

Company Name	Field of activity	Share interest percent	Cost	Impairment	Net book value
Subsidiaries					
OMV Petrom Marketing S.R.L.	Fuel distribution	100.00%	1,303.79	-	1,303.79
Petrom Moldova S.R.L.	Fuel distribution	100.00%	122.57	(84.18)	38.39
Tasbulat Oil Corporation LLP	Oil exploration and production in Kazakhstan	100.00%	614.76	(614.76)	-
Kom Munai LLP	Oil exploration and production in Kazakhstan	100.00%	1,410.25	(1,231.93)	178.32
OMV Petrom Gas S.R.L.	Gas supply	99.99%	8.65	-	8.65
OMV Petrom Aviation S.R.L.	Airport services	99.99%	54.14	(17.15)	36.99
Petromed Solutions S.R.L.	Medical services	99.99%	3.00	-	3.00
OMV Srbija DOO	Fuel distribution	99.96%	181.92	-	181.92
OMV Bulgaria OOD	Fuel distribution	99.90%	138.02	-	138.02
Petrom Exploration & Production Limited	Exploration and production services	99.99%	0.91	-	0.91
Energy Production Enhancement S.R.L.	Services incidental to oil and gas production	99.99%	0.72	(0.72)	-
Associates					
OMV Petrom Global Solutions S.R.L.	Financial, IT and other services	25.00%	7.00	-	7.00
Asociatia Romana pentru Relatia cu Investitorii	Public representation	20.00%	0.00	0.00	-
Other investments					
Telescaun Tihuta S.A.	Touristic facilities	1.68%	0.01	(0.01)	-
Credit Bank	Other financial services	0.22%	0.32	(0.32)	-
Forte Asigurari - Reasigurari S.A.	Insurance services	0.09%	0.02	(0.02)	-
Total			**3,846.08**	**(1,949.09)**	**1,896.99**

Note: Nil amounts are shown as "-".
Where amounts are lower than RON 0.01 million, they are shown as 0.00.

During 2019, the legal form of OMV Petrom Aviation was changed from a joint stock company to a limited liability company and the share capital of the associated entity OMV Petrom Global Solutions S.R.L. was reduced by way of cash distribution (see Note 29 b).

Also during 2019, Trans Gas LPG Services S.R.L. was liquidated and Brazi Oil & Anghelescu Prod Com S.R.L. was sold.

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

7. INVESTMENTS (continued)

As at December 31, 2018 the Company had investments in the following companies:

Company Name	Field of activity	Share interest percent	Cost	Impairment	Net book value
Subsidiaries					
OMV Petrom Marketing S.R.L.	Fuel distribution	100.00%	1,303.79	-	1,303.79
Petrom Moldova S.R.L.	Fuel distribution	100.00%	122.57	(81.20)	41.37
Tasbulat Oil Corporation LLP	Oil exploration and production in Kazakhstan	100.00%	614.76	(614.76)	-
Kom Munai LLP	Oil exploration and production in Kazakhstan	100.00%	1,410.25	(1,290.39)	119.86
OMV Petrom Gas S.R.L.	Gas supply	99.99%	8.65	-	8.65
OMV Petrom Aviation S.A.	Airport services	99.99%	54.14	(18.89)	35.25
Petromed Solutions S.R.L.	Medical services	99.99%	3.00	-	3.00
OMV Srbija DOO	Fuel distribution	99.96%	181.92	-	181.92
OMV Bulgaria OOD	Fuel distribution	99.90%	138.02	-	138.02
Trans Gas LPG Services S.R.L.	LPG transportation related services	80.00%	4.20	(4.20)	-
Petrom Exploration & Production Limited	Exploration and production services	99.99%	0.91	-	0.91
Energy Production Enhancement S.R.L.	Services incidental to oil and gas production	99.99%	0.67	-	0.67
Associates					
OMV Petrom Global Solutions S.R.L.	Financial, IT and other services	25.00%	45.24	-	45.24
Brazi Oil & Anghelescu Prod Com S.R.L.	Fuel distribution	37.70%	1.82	(1.82)	-
Asociatia Romana pentru Relatia cu Investitorii	Public representation	20.00%	0.00	-	0.00
Other investments					
Telescaun Tihuta S.A.	Touristic facilities	1.68%	0.01	(0.01)	-
Credit Bank	Other financial services	0.22%	0.32	(0.32)	-
Forte Asigurari - Reasigurari S.A.	Insurance services	0.09%	0.02	(0.02)	-
Total			**3,890.29**	**(2,011.61)**	**1,878.68**

Note: Nil amounts are shown as "-".
Where amounts are lower than RON 0.01 million, they are shown as 0.00.

During 2018, OMV Petrom acquired the remaining non-controlling interest of 5% in Kom Munai LLP, reaching shareholding of 100% and it increased the share capital of Kom Munai LLP and of Petrom Exploration & Production Limited (see Note 29 b).

In December 2018, the legal steps for reduction of share capital of OMV Petrom Marketing S.R.L. with RON 86.07 RON were fulfilled. The amount was paid to OMV Petrom in January 2019 (see Note 29 b).

7. INVESTMENTS (continued)

The details about addresses, equity and profit or loss of the companies in which OMV Petrom holds an interest of at least 20%, except Asociatia Romana pentru Relatia cu Investitorii, which does not have activity, are shown in the following table. Amounts are taken from the latest approved financial statements of the subsidiaries and the associate (for the year ended December 31, 2018).

Company Name	Address	Currency	Equity at December 31, 2018 (in million currency)	Profit or (loss) for the year ended December 31, 2018 (in million currency)
Subsidiaries				
OMV Petrom Marketing S.R.L.	22 Coralilor Street, District 1, Bucharest, Romania	RON	2,014.93	419.01
Petrom Moldova S.R.L.	Sos. Muncesti 269, Chisinau, 2002, Republica Moldova	MDL	173.30	17.82
Tasbulat Oil Corporation LLP	Aktau, Microdistrict 4, Mangistau Region, Kazakhstan	KZT	(6,712.98)	5,128.64
Kom Munai LLP	Aktau, Microdistrict 4, Mangistau Region, Kazakhstan	KZT	10,931.88	(325.02)
OMV Petrom Gas S.R.L.	22 Coralilor Street, District 1, Bucharest, Romania	RON	93.67	62.60
OMV Petrom Aviation S.R.L.	31A Aurel Vlaicu, Otopeni, Ilfov County, Romania	RON	36.39	(0.10)
Petromed Solutions S.R.L.	22 Coralilor Street, District 1, Bucharest, Romania	RON	4.93	1.53
OMV Srbija DOO	Omladinskih brigada 90a, Belgrade, Serbia	RSD	8,254.65	813.80
OMV Bulgaria OOD	90 Tsarigradsko Shose Blvd., Sofia 1784, Bulgaria	BGN	140.88	19.71
Petrom Exploration & Production Limited	20 Hill Street, Douglas, Isle of Man	EUR	0.10	(0.02)
Energy Production Enhancement S.R.L.	22 Coralilor Street, District 1, Bucharest, Romania	RON	0.02	(0.05)
Associates				
OMV Petrom Global Solutions S.R.L.	22 Coralilor Street, District 1, Bucharest, Romania	RON	229.54	28.07

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

7. INVESTMENTS (continued)

The movements in impairment for investments were as follows:

	2019
January 1	**2,011.61**
Net allocations/(releases)	(56.50)
Used up	(6.02)
December 31	**1,949.09**

8. TRADE RECEIVABLES AND OTHER FINANCIAL ASSETS

a) Trade receivables amount to RON 1,857.34 million as at December 31, 2019 (2018: RON 2,026.52 million).

Credit quality of trade receivables

December 31, 2019	Expected credit loss rate	Gross carrying amount	Expected credit loss	Net carrying amount
Risk class 1	0.07%	897.70	0.01	897.69
Risk class 2	0.24%	606.77	0.04	606.73
Risk class 3	1.22%	336.99	1.53	335.46
Risk class 4	10.27%	17.20	0.36	16.84
Risk class 5	100.00%	67.12	66.50	0.62
Total		**1,925.78**	**68.44**	**1,857.34**

December 31, 2018	Expected credit loss rate	Gross carrying amount	Expected credit loss	Net carrying amount
Risk class 1	0.08%	84.12	0.00	84.12
Risk class 2	0.25%	1,306.43	0.00	1,306.43
Risk class 3	1.25%	622.77	0.44	622.33
Risk class 4	10.33%	13.96	0.35	13.61
Risk class 5	100.00%	89.67	89.64	0.03
Total		**2,116.95**	**90.43**	**2,026.52**

The movements in impairment of trade receivables are as follows:

	2019	2018
January 1, under IAS 39	-	**94.77**
Adjustment on initial application of IFRS 9	-	0.28
January 1, under IFRS 9	**90.43**	**95.05**
Amounts written off	-	(0.72)
Net remeasurement of expected credit losses	(21.99)	(3.90)
December 1	**68.44**	**90.43**

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

8. TRADE RECEIVABLES AND OTHER FINANCIAL ASSETS (continued)

b) Other financial assets (net of impairment)

	December 31, 2019	Liquidity term	
		less than 1 year	over 1 year
Expenditure recoverable from Romanian State	1,962.83	-	1,962.83
Loans to subsidiaries (Note 28)	412.77	0.42	412.35
Derivative financial assets (Note 30)	281.56	231.15	50.41
Other financial assets	313.37	241.11	72.26
Total	**2,970.53**	**472.68**	**2,497.85**

	December 31, 2018	Liquidity term	
		less than 1 year	over 1 year
Expenditure recoverable from Romanian State	1,760.83	-	1,760.83
Loans to subsidiaries (Note 28)	469.14	74.31	394.83
Derivative financial assets (Note 30)	50.72	50.17	0.55
Other financial assets	590.17	221.99	368.18
Total	**2,870.86**	**346.47**	**2,524.39**

Expenditure recoverable from Romanian State

As part of the privatization agreement, OMV Petrom S.A. is entitled to reimbursement by the Romanian State of part of decommissioning and environmental costs incurred to restore and clean up areas pertaining to activities prior to privatization in 2004. Consequently, OMV Petrom S.A. has recorded as receivable from the Romanian State the estimated decommissioning obligations having a net present value of RON 1,793.22 million as at December 31, 2019 (2018: RON 1,589.95 million) and the environmental liabilities in Downstream Oil and Upstream with net present value of RON 169.61 million (2018: RON 170.88 million), as these were existing prior to privatization of OMV Petrom S.A.

On 7 March 2017, OMV AG, as party in the privatization agreement, initiated arbitration proceedings against the Romanian Ministry of Environment, in accordance with the International Chamber of Commerce Rules, regarding certain claims unpaid by the Ministry of Environment for costs incurred by OMV Petrom with well decommissioning and environmental remediation works. As of December 31, 2019, the amount in arbitration is RON 287.66 million and the arbitration proceedings are ongoing.

Other financial assets

On 14 September 2016, OMV Petrom signed a financing contract with the Romanian Ministry of Energy for a government grant to be received for Brazi power plant investment, which was subsequently increased through two addendums in 2017 and 2018, recorded as other financial assets against reduction of cost of fixed assets.

As of December 31, 2019 the present value of the financial asset representing government grant to be received for Brazi power plant investment was in amount of RON 172.47 million (2018: RON 339.89 million). During 2019 the first two tranches in amount of RON 226.59 million were collected (see Note 29 d).

As of December 31, 2018, OMV Petrom had in balance a financial asset recognized in relation to insurance indemnities in Power business division in amount of RON 77.27 million, collected in 2019.

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

8. TRADE RECEIVABLES AND OTHER FINANCIAL ASSETS (continued)

Credit quality other financial assets at amortized cost – gross carrying amount

December 31, 2019	Expected credit loss rate	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Risk Class 1	0.07%	0.01	-	-	0.01
Risk Class 2	0.24%	2,200.60	-	67.38	2,267.98
Risk Class 3	1.22%	77.68	-	-	77.68
Risk Class 4	10.27%	2.54	-	-	2.54
Risk Class 5	100.00%	0.14	-	498.22	498.36
Total		**2,280.97**	**-**	**565.60**	**2,846.57**

For risk class 2, "12-month ECL" included an amount of RON 1,965.92 million and "Lifetime ECL credit impaired" included an amount of RON 67.38 million, related to expenditure recoverable from Romanian State.

December 31, 2018	Expected credit loss rate	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Risk Class 1	0.08%	92.96	-	-	92.96
Risk Class 2	0.25%	2,257.98	-	70.61	2,328.59
Risk Class 3	1.25%	2.58	-	-	2.58
Risk Class 4	10.33%	1.87	-	-	1.87
Risk Class 5	100.00%	-	-	499.19	499.19
Total		**2,355.39**	**-**	**569.80**	**2,925.19**

For risk class 2, "12-month ECL" included an amount of RON 1,763.95 million and "Lifetime ECL credit impaired" included an amount of RON 70.61 million, related to expenditure recoverable from Romanian State.

Credit quality other financial assets at amortized cost – expected credit loss

December 31, 2019	Expected credit loss rate	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Risk Class 1	0.07%	-	-	-	-
Risk Class 2	0.24%	3.35	-	67.38	70.73
Risk Class 3	1.22%	1.30	-	-	1.30
Risk Class 4	10.27%	0.12	-	-	0.12
Risk Class 5	100.00%	-	-	498.22	498.22
Total		**4.77**	**-**	**565.60**	**570.37**

For risk class 2, "12-month ECL" included an amount of RON 3.09 million and "Lifetime ECL credit impaired" included an amount of RON 67.38 million, related to expenditure recoverable from Romanian State.

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

8. TRADE RECEIVABLES AND OTHER FINANCIAL ASSETS (continued)

December 31, 2018	Expected credit loss rate	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Risk Class 1	0.08%	0.00	-	-	0.00
Risk Class 2	0.25%	3.57	-	70.61	74.18
Risk Class 3	1.25%	0.73	-	-	0.73
Risk Class 4	10.33%	0.09	-	-	0.09
Risk Class 5	100.00%	-	-	499.19	499.19
Total		**4.39**	**-**	**569.80**	**574.19**

For risk class 2, "12-month ECL" included an amount of RON 3.12 million and "Lifetime ECL credit impaired" included an amount of RON 70.61 million, related to expenditure recoverable from the Romanian State.

The amounts in the above tables do not include derivative financial assets as these are measured at fair value.

The movements in impairment of other financial assets at amortized cost were as follows:

	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
January 1, 2019	**4.39**	**-**	**569.80**	**574.19**
Net remeasurement of expected credit losses	0.38	-	(4.20)	(3.82)
December 31, 2019	**4.77**	**-**	**565.60**	**570.37**

	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
January 1, 2018, under IAS 39	**0.15**	**-**	**544.68**	**544.83**
Adjustment on initial application of IFRS 9	4.37	-	-	4.37
January 1, 2018, under IFRS 9	**4.52**	**-**	**544.68**	**549.20**
Amounts written off	-	-	(11.72)	(11.72)
Net remeasurement of expected credit losses	(0.13)	-	36.84	36.71
December 31, 2018	**4.39**	**-**	**569.80**	**574.19**

The movement in impairment for loans to subsidiaries is presented in Note 27.

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

9. OTHER ASSETS

The carrying value of other assets was as follows:

	December 31, 2019	Liquidity term less than 1 year	Liquidity term over 1 year
Receivable from taxes	196.64	25.18	171.46
Advance payments on fixed assets	49.01	49.01	-
Prepaid expenses and deferred charges	80.48	54.11	26.37
Rental and lease prepayments	16.91	10.82	6.09
Other non-financial assets	230.54	230.54	-
Total	**573.58**	**369.66**	**203.92**

	December 31, 2018	Liquidity term less than 1 year	Liquidity term over 1 year
Receivable from taxes	214.59	159.54	55.05
Advance payments on fixed assets	48.21	48.21	-
Prepaid expenses and deferred charges	58.08	57.35	0.73
Rental and lease prepayments	28.42	13.48	14.94
Other non-financial assets	106.64	106.64	-
Total	**455.94**	**385.22**	**70.72**

The increase in “Other non-financial assets” is driven mainly by higher market prices for the acquired emission certificates.

10. INVENTORIES

	December 31, 2019	December 31, 2018
Crude oil	477.01	419.87
Natural gas	180.81	90.97
Other materials	254.56	198.20
Work in progress	154.05	142.55
Finished products	885.96	831.73
Total	**1,952.39**	**1,683.32**

The cost of materials and goods consumed during 2019 (whether used in production or re-sold) is RON 8,149.82 million (2018: RON 6,055.85 million).

As at December 31, 2019 and 2018 there were no inventories pledged as security for liabilities.

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

11. ASSETS HELD FOR SALE

	December 31, 2019	December 31, 2018
Land and buildings	1.53	-
Plant and equipment	215.67	127.91
Assets held for sale	**217.20**	**127.91**
Provisions for decommissioning and restoration	222.55	103.06
Liabilities	1.20	-
Liabilities associated with assets held for sale	**223.75**	**103.06**

As at December 31, 2019, assets and liabilities held for sale referred to Upstream segment, as OMV Petrom S.A. reached an agreement for the transfer of 40 marginal onshore oil and gas fields to Dacian Petroleum S.R.L which led to the reclassification of related assets and liabilities to “held for sale”. This triggered an overall negative impact on operating result amounting to RON 220.00 million, including a pre-tax impairment of property, plant and equipment of RON 171.16 million shown in the line “Depreciation, amortization and impairment charges”.

As at December 31, 2018, the assets and liabilities held for sale referred to Upstream segment in relation to 9 marginal onshore fields reclassified as assets and liabilities held for sale following the signing of a transfer agreement by OMV Petrom S.A. with Mazarine Energy Romania S.R.L. in September 2018. The transfer of these fields became effective as at March 1, 2019.

12. EQUITY

Share capital

The share capital of OMV Petrom S.A. consists of 56,644,108,335 fully paid shares as at December 31, 2019 and 2018 with a total nominal value of RON 5,664.41 million.

Revenue reserves

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

Geological quota is amounting to RON 5,062.84 million as at December 31, 2019 and 2018. Until December 31, 2006, OMV Petrom S.A. benefited from geological quota facility whereby it could charge up to 35% of the market value of the volume of oil and gas extracted during the year. This facility was recognized directly in reserves. This quota was restricted to investment purposes and is not distributable. The quota was non-taxable.

Legal reserves are amounting to RON 1,132.88 million as at December 31, 2019 and 2018. OMV Petrom S.A. sets its legal reserve in accordance with the provisions of the Romanian Companies Law, which requires that minimum 5% of the annual accounting profit before tax is transferred to “legal reserve” until the balance of this reserve reaches 20% of the share capital of the Company.

Other reserves from fiscal facilities are amounting to RON 454.06 million (2018: RON 422.92 million). The amount of RON 31.14 million was allocated to other reserves, representing fiscal facilities from reinvested profit in the year 2019 (2018: RON 35.85 million).

At the Annual General Meeting of Shareholders held on April 19, 2019, the shareholders of OMV Petrom S.A. approved the distribution of gross dividends in amount of RON 0.027 per share.

On March 17, 2020, the Supervisory Board endorsed the management’s proposal to distribute gross dividends of RON 0.031 per share. The dividend proposal is subject to further approval by the Ordinary General Meeting of Shareholders, on April 27, 2020.

Cash flow hedge reserve

In order to protect the Company’s result and cash flows against commodity price volatility, OMV Petrom uses derivative instruments for both hedging selected product sales and reducing exposure to price risks on inventory fluctuations. Crude oil and product swaps are used to hedge the refining margin (crack spread) which is the difference between crude oil prices and product prices.

Certain financial instruments were accounted as cash flow hedges, with the effective part of the change in value of the derivative being accounted for in other comprehensive income. The cumulative unrealized gain recognized in other comprehensive income, net of tax, is in amount of RON 27.70 million as at December 31, 2019 (2018: RON 4.22 million). When the hedged item (underlying transaction) affects profit and loss, the amounts previously accounted for in other comprehensive income are recycled to income statement. For more details on hedges please refer to Note 33.

Other reserves

Other reserves contain land for which land ownership certificates were obtained but was not yet included in share capital.

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

13. PROVISIONS

	Pensions and similar obligations	Decommissioning and restoration	Other provisions	Total
January 1, 2019	**203.38**	**6,113.40**	**569.61**	**6,886.39**
thereof short-term	-	245.68	384.93	630.61
thereof long-term	203.38	5,867.72	184.68	6,255.78
Liabilities associated with assets held for sale	-	(223.36)	-	(223.36)
Used	(11.03)	(197.34)	(104.71)	(313.08)
Net allocations/(releases)	39.97	1,009.75	366.05	1,415.77
December 31, 2019	**232.32**	**6,702.45**	**830.95**	**7,765.72**
thereof short-term	-	312.07	248.88	560.95
thereof long-term	232.32	6,390.38	582.07	7,204.77

Provisions for pensions and similar obligations

Employees of the Company are entitled to receive pension benefits on reaching normal retirement age. The entitlements depend on years of service and final compensation levels. Provisions have been set up based on actuarial calculations performed by qualified actuaries using the following parameters: a discount rate of 4.41% (2018: 4.75%) and an estimated average yearly salary increase of 4.19% (2018: 2.61%).

Provisions for decommissioning and restoration

Changes in provisions for decommissioning and restoration are shown in the table below. In the event of changes in estimated restoration costs, the effect of the change in present value is recognized in the period concerned. If the value increases, the increase is depreciated over the remaining useful life of the asset, and if it decreases, the decrease is deducted from capitalized asset value or recognized in the income statement if it exceeds the carrying amount of the related asset. The net discount rate applied for calculating the decommissioning and restoration costs at December 31, 2019 is 1.65% (2018: 2.11%).

In relation to part of the Company's decommissioning and restoration obligations, there is a corresponding receivable from the Romanian State, as presented in Note 8.

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

Details on the decommissioning and restoration obligations are as follows:

	2019	2018
January 1	**6,113.40**	**7,555.77**
Revisions in estimates	719.83	(1,503.46)
Unwinding effect	289.92	319.72
Used in current year	(197.34)	(155.57)
Liabilities associated with assets held for sale	(223.36)	(103.06)
December 31	**6,702.45**	**6,113.40**

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

13. PROVISIONS (continued)

The revisions in estimates impact the assets subject to decommissioning, the income statement or the related receivable from State. The unwinding effect is included in the income statement under the interest expenses line (Note 23) net of the unwinding effect on the related receivable from the Romanian State. The effect of changes in net discount rate or timing of the receivables from the Romanian State (which are additional to the changes in net discount rate or timing of the decommissioning costs) is included in the income statement under interest expenses or interest income.

Impact from revision in estimates in 2019 was generated mainly by the decrease of net discount rates and higher estimated average unit costs for onshore wells.

Impact from revision in estimates in 2018 was generated mainly by the increase of net discount rates and lower estimated average unit costs for onshore wells and facilities.

Other provisions were as follows:

December 31, 2019	**Total**	**less than 1 year**	**over 1 year**
Environmental provision	397.11	51.20	345.91
Other personnel provisions	90.70	88.42	2.28
Provisions for litigations	76.26	5.47	70.79
Other	266.88	103.79	163.09
Total	**830.95**	**248.88**	**582.07**

December 31, 2018	**Total**	**less than 1 year**	**over 1 year**
Environmental provision	223.03	111.63	111.40
Other personnel provisions	87.55	84.70	2.85
Provisions for litigations	78.30	7.87	70.43
Other	180.73	180.73	-
Total	**569.61**	**384.93**	**184.68**

Environmental provisions

The environmental provisions were estimated by the management based on the list of environment related projects that must be completed by the Company. Provisions recorded as at December 31, 2019 and 2018 represent the best estimate of the Company's experts for environmental matters. Environmental provisions are mainly computed using a discount rate of 4.41% (2018: 4.74%).

The Company recorded certain environmental liabilities against receivable from the Romanian State in Downstream Oil, as these obligations existed prior to privatization (as further explained in Note 8b) "Expenditure recoverable from Romanian State").

The environmental provision increased in 2019 following the set-up of a provision for soil remediation in relation to Arpechim refinery site amounting to RON 218.33 million as at 31 December 2019.

Provisions for litigations

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

13. PROVISIONS (continued)

Emissions certificates

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

Under this scheme, OMV Petrom S.A. is entitled to an allocation of 1,018,845 emission certificates for the year 2019 (2018: 1,355,624 emission certificates). During 2019 the Company received 1,349,058 emission certificates, out of which 660,425 emission certificates representing the 2018 entitlement according to article 10c) of the Directive and 688,633 emission certificates from 2019 entitlement according to article 10a) of the Directive.

During 2019 the Company had other net purchases of 1,153,324 emissions certificates (2018: other net purchases of 377,791 emissions certificates).

A shortfall in emission certificates would be provided for. Until December 31, 2019, the Company was not short of certificates.

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

14. INTEREST-BEARING DEBTS

As at December 31, 2019 and December 31, 2018 OMV Petrom S.A. had the following loans:

Interest-bearing debts short-term

Lender	**December 31, 2019**	**December 31, 2018**
European Investment Bank (a)	91.03	88.84
Cash pooling (b)	1,414.33	1,635.38
Accrued interest and other	4.75	5.86
Prepayments in relation with loan amounts drawn	(0.07)	(0.07)
Total interest-bearing debts short-term	**1,510.04**	**1,730.01**

Interest-bearing debts long-term

Lender	**December 31, 2019**	**December 31, 2018**
European Investment Bank (a)	198.00	282.05
Prepayments in relation with loan amounts drawn	(0.12)	(0.18)
Total interest-bearing debts long-term	**197.88**	**281.87**
thereof maturing after more than 1 year but not later than 5 years	197.88	281.87
Total interest-bearing debts	**1,707.92**	**2,011.88**

(a) For the construction of the Brazi Power Plant, OMV Petrom S.A. concluded an unsecured loan agreement for an amount of EUR 200.00 million with European Investment Bank. The agreement was signed on May 8, 2009 and the final maturity date is June 15, 2023. The outstanding amount as at December 31, 2019 was RON 289.03 million (equivalent of EUR 60.48 million) (2018: RON 370.89 million, equivalent of EUR 79.52 million).

(b) Cash pooling agreements with maturity on April 19, 2020, renewable each year, are signed between OMV Petrom S.A. and the following companies:

(i) OMV Petrom Marketing S.R.L. for an amount up to RON 2,000.00 million. The balance as at December 31, 2019 amounts to RON 1,271.81 million (2018: RON 1,436.17 million).

(ii) OMV Petrom Global Solutions S.R.L for an amount up to RON 220.00 million. The balance as at December 31, 2019 amounts to RON 39.67 million (2018: RON 176.25 million).

(iii) OMV Petrom Gas S.R.L. for an amount up to RON 650.00 million. The balance as at December 31, 2019 amounts to RON 83.81 million. As at December 31, 2018, OMV Petrom S.A. had a receivable balance in relation to the cash pooling contract with OMV Petrom Gas S.R.L. in amount of RON 47.12 million (see Note 28).

(iv) Petromed Solutions S.R.L. for an amount up to RON 15.00 million. The balance as at December 31, 2019 amounts to RON 7.80 million (2018: RON 6.75 million).

(v) OMV Petrom Aviation S.R.L. for an amount up to RON 25.00 million. The balance as at December 31, 2019 amounts to RON 11.24 million (2018: RON 16.21 million).

(vi) Energy Production Enhancement S.R.L. for an amount up to RON 15.00 million. As at December 31, 2019 and 2018, OMV Petrom had no outstanding balance in relation to the cash pooling contract concluded with Energy Production Enhancement S.R.L.

14. INTEREST-BEARING DEBTS (continued)

The Company has several credit facilities in place as at December 31, 2019 as follows:

(c) An unsecured credit facility granted by Raiffeisen Bank S.A. up to EUR 55.00 million (equivalent of RON 262.86 million) consisting in two subfacilities: subfacility A with maturity date prolonged to December 31, 2020 (for an amount of EUR 35.00 million, equivalent of RON 167.27 million) and subfacility B with maturity date prolonged to December 31, 2023 (for an amount of EUR 20.00 million, equivalent of RON 95.59 million). Subfacility A can be used only in RON and only by OMV Petrom S.A. as overdraft credit line. Subfacility B can be used in EUR, USD or RON by OMV Petrom S.A., OMV Petrom Marketing S.R.L. and OMV Petrom Gas S.R.L. (up to the limit of EUR 20.00 million, equivalent of RON 95.59 million); and by OMV Petrom Aviation S.R.L. (up to the maximum limit of EUR 10.00 million, equivalent of RON 47.79 million) only for the issuance of letters of credit and/or issuance of letters of bank guarantee. As at December 31, 2019 an amount of RON 0.01 million was used from the cash portion of the credit facility (2018: nil) included in “Accrued interest and other” line.

(d) An unsecured facility contracted by OMV Petrom S.A. from ING Bank N.V., that can be used in USD, RON or EUR, up to the maximum amount of EUR 50.00 million (equivalent of RON 238.97 million), for issuance of letters of bank guarantee and as overdraft for working capital financing. The maturity of the credit facility was prolonged until November 22, 2022. No drawings under the overdraft were made as at December 31, 2019 and 2018.

(e) An uncommitted and unsecured credit facility contracted by OMV Petrom S.A. from BRD – Groupe Société Générale S.A. with maximum limit of EUR 90.00 million (equivalent of RON 430.14 million) that can be used in RON, with maturity date prolonged until April 30, 2020. The facility is designated to finance OMV Petrom’s current activity and for issuance of bank guarantee, opening letters of credit and similar. The cash portion of the credit facility was not used as at December 31, 2019 and 2018.

(f) A committed and unsecured credit facility contracted by OMV Petrom S.A. from Banca Comercială Română S.A., that can be used in USD, EUR or RON, up to a maximum amount of EUR 200.00 million (equivalent of RON 955.86 million), for issuance of letters of bank guarantee and similar and as overdraft for working capital financing. As at December 31, 2019, the maturity for letters of bank guarantees and similar is January 13, 2022 and for overdraft the maturity is January 11, 2021, with the possibility to further extend the maturity for additional successive periods, final maturity being January 13, 2024. The cash portion of the credit facility was not used as at December 31, 2019 and 2018.

(g) An unsecured credit facility agreement was signed by OMV Petrom S.A. with Garanti Bank S.A. for up to EUR 15.00 million (equivalent of RON 71.69 million) to be utilized for issuance of letters of bank guarantee and similar and as overdraft for working capital financing. As at December 31, 2019, the maturity of the credit facility was January 15, 2020 for overdraft purposes and March 15, 2021 for issuance of bank guarantees. In January 2020, the maturity of the credit facility was prolonged until January 15, 2022 for overdraft and until March 15, 2023 for bank guarantees. The cash portion of the credit facility was not used as at December 31, 2019 and 2018.

OMV Petrom S.A. has signed also facilities with several banks for issuing letters of guarantee and letters of credit, as follows:

(h) An unsecured facility agreement was signed by OMV Petrom S.A. with BNP Paribas Fortis S.A/N.V– Bucharest branch – for up to EUR 30.00 million (equivalent of RON 143.38 million), to be utilized only for issuance of letters of bank guarantee and letters of credit, with maturity date prolonged to March 27, 2021. Maturity is subject to possibility of further automatic extensions for successive periods of 12 months, but not longer than March 27, 2022.

(i) An unsecured credit facility received by OMV Petrom S.A. from Banca Transilvania S.A. (former Bancpost S.A.), up to EUR 25.00 million (equivalent of RON 119.48 million), to be utilized only for issuance of letters of bank guarantee, with maturity until March 31, 2022.

As at December 31, 2019, OMV Petrom S.A. is in compliance with all financial covenants stipulated by the loan agreements.

Please refer to Note 33 for details regarding interest rates risk of interest-bearing debts.

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

15. OTHER FINANCIAL LIABILITIES

	December 31, 2019	less than 1 year	over 1 year
Derivative financial liabilities (Note 30)	213.72	171.54	42.18
Financial liabilities in connection with joint operations	1.12	1.12	-
Other financial liabilities	171.75	151.38	20.37
Total	**386.59**	**324.04**	**62.55**

	December 31, 2018	less than 1 year	over 1 year
Finance lease liabilities	155.31	36.49	118.82
Derivative financial liabilities (Note 30)	163.53	163.53	-
Financial liabilities in connection with joint operations	3.12	3.12	-
Other financial liabilities	156.09	138.42	17.67
Total	**478.05**	**341.56**	**136.49**

Following the implementation of IFRS 16 Leases starting with January 1, 2019, the lease liabilities are presented in separate new lines in the statement of financial position as at December 31, 2019, within current liabilities, in amount of RON 111.24 million and non-current liabilities, in amount of RON 399.78 million. Until 2018, finance lease liabilities were included in line “Other financial liabilities”.

Maturity profile of financial liabilities

The tables below summarize the maturity profile of the Company´s financial liabilities based on contractual undiscounted cash flows (i.e. also including future finance charges):

December 31, 2019	**< 1 year**	**1-5 years**	**> 5 years**	**Total**
Interest-bearing debts	1,512.84	202.08	-	**1,714.92**
Lease liabilities	116.89	308.79	123.48	**549.16**
Trade payables	2,665.96	-	-	**2,665.96**
Derivative financial liabilities	171.54	42.18	-	**213.72**
Other financial liabilities	152.50	20.37	-	**172.87**
Total	**4,619.73**	**573.42**	**123.48**	**5,316.63**

December 31, 2018	**< 1 year**	**1-5 years**	**> 5 years**	**Total**
Interest-bearing debts	1,733.82	290.30	-	**2,024.12**
Trade payables	2,413.37	-	-	**2,413.37**
Derivative financial liabilities	163.53	-	-	**163.53**
Other financial liabilities	183.16	92.10	68.38	**343.64**
Total	**4,493.88**	**382.40**	**68.38**	**4,944.66**

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

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

16. OTHER LIABILITIES

	December 31, 2019	less than 1 year	over 1 year
Tax liabilities	415.52	415.52	-
Social security	42.18	42.18	-
Contract liabilities	54.40	54.40	-
Deferred income	23.08	9.19	13.89
Other liabilities	70.46	70.46	-
Total	**605.64**	**591.75**	**13.89**

	December 31, 2018	less than 1 year	over 1 year
Tax liabilities	462.23	462.23	-
Social security	43.52	43.52	-
Contract liabilities	35.14	35.14	-
Deferred income	24.54	9.70	14.84
Other liabilities	69.29	69.29	-
Total	**634.72**	**619.88**	**14.84**

Contract liabilities include mainly advance payments received from customers for future deliveries of goods or services.

The changes in contract liabilities during the year were as follows:

	2019
January 1	**35.14**
Revenue recognized that was included in the contract liability balance at the beginning of the period	(33.70)
Increases due to cash received, excluding amounts recognized as revenue during the period	52.96
December 31	**54.40**

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

17. DEFERRED TAX

December 31, 2019	**Deferred tax assets before allowances**	**Allowances**	**Net deferred tax assets**	**Deferred tax liabilities**
Tangible and intangible assets	312.17	-	312.17	-
Inventories	13.39	-	13.39	-
Receivables and other assets	147.55	(38.32)	109.23	36.42
Provisions for pensions and similar obligations	41.15	-	41.15	3.98
Other provisions	939.20	-	939.20	-
Liabilities	37.07	-	37.07	-
Total	**1,490.53**	**(38.32)**	**1,452.21**	**40.40**
Netting (same tax jurisdiction/country)			(40.40)	(40.40)
Deferred tax, net			**1,411.81**	**-**

December 31, 2018	**Deferred tax assets before allowances**	**Allowances**	**Net deferred tax assets**	**Deferred tax liabilities**
Tangible and intangible assets	383.59	-	383.59	-
Inventories	13.68	-	13.68	-
Receivables and other assets	162.09	(40.10)	121.99	0.92
Provisions for pensions and similar obligations	40.38	-	40.38	7.85
Other provisions	798.89	-	798.89	-
Liabilities	7.40	-	7.40	-
Total	**1,406.03**	**(40.10)**	**1,365.93**	**8.77**
Netting (same tax jurisdiction/country)			(8.77)	(8.77)
Deferred tax, net			**1,357.16**	**-**

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

18. SALES REVENUES

	2019	2018
Revenues from contracts with customers	19,834.76	17,828.45
Revenues from other sources	108.95	(46.86)
Total sales revenues	**19,943.71**	**17,781.59**

Revenues from contracts with customers

In the following tables, revenues recorded in 2019 and 2018 are disaggregated by products and reportable segments.

2019	Upstream	Downstream	thereof Downstream Oil	thereof Downstream Gas	Corporate & Other	Total
Crude Oil, NGL, condensates	-	60.81	60.81	-	-	60.81
Natural gas, LNG and power	5.53	6,141.46	2.20	6,139.26	-	6,146.99
Fuels and heating oil	-	11,816.63	11,816.63	-	-	11,816.63
Other goods and services *)	57.90	1,738.69	1,630.57	108.12	13.74	1,810.33
Total	**63.43**	**19,757.59**	**13,510.21**	**6,247.38**	**13.74**	**19,834.76**

2018	Upstream	Downstream	thereof Downstream Oil	thereof Downstream Gas	Corporate & Other	Total
Crude Oil, NGL, condensates	-	75.97	75.97	-	-	75.97
Natural gas, LNG and power	5.02	4,696.30	1.74	4,694.56	-	4,701.32
Fuels and heating oil	-	11,402.20	11,402.20	-	-	11,402.20
Other goods and services *)	74.29	1,553.36	1,550.22	3.14	21.31	1,648.96
Total	**79.31**	**17,727.83**	**13,030.13**	**4,697.70**	**21.31**	**17,828.45**

*) Mainly non-fuel business in Downstream Oil.

Revenues from other sources

Revenues from other sources include mainly the impact from commodity sales/purchases transactions that are within the scope of IFRS 9 Financial Instruments, as well as rental and lease revenues.

OMV Petrom acts as a lessor for lease arrangements assessed as operating leases mainly for land and buildings and equipment. Rental and lease revenues in 2019 amount to RON 34.99 million (2018: RON 31.39 million).

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

19. OTHER OPERATING INCOME

	2019	2018
Exchange gains from operating activities	23.53	17.75
Gains on disposal of non-current assets	71.52	24.64
Write-up tangible and intangible assets	5.18	432.94
Other operating income	126.16	165.58
Total	**226.39**	**640.91**

"Gains on disposal of non-current assets" in 2019 include the amount of RON 52.82 million in relation to non-current assets transferred to Mazarine Energy Romania S.R.L. (see Note 29 e).

"Write-up tangible and intangible assets" included in 2018 the reversal of a previously recognized impairment for a cash generating unit in Upstream in amount of RON 430.40 million.

"Other operating income" in 2019 includes income related to clarification of a tax related topic in Romania, in amount of RON 66.96 million, while 2018 included insurance revenues related to the Brazi gas-fired power plant, in amount of RON 81.80 million.

20. NET INCOME FROM CONSOLIDATED SUBSIDIARIES AND EQUITY-ACCOUNTED INVESTMENTS

	2019	2018
Dividends from subsidiaries and associated companies	558.99	446.12
Releases of impairment related to investments in subsidiaries	57.22	3.70
Total	**616.21**	**449.82**

21. OTHER OPERATING EXPENSES

	2019	2018
Exchange losses from operating activities	23.69	25.96
Losses on disposal of non-current assets	4.35	18.42
Net income from provisions for litigations	(0.10)	(43.08)
Other operating expenses	204.13	186.23
Total	**232.07**	**187.53**

Other operating expenses include an amount of RON 51.79 million (2018: RON 57.33 million) representing restructuring expenses.

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

22. COST INFORMATION

For the years ended December 31, 2019 and December 31, 2018 the income statement includes the following personnel expenses:

	2019	2018
Wages and salaries	1,462.81	1,519.55
Other personnel expenses	222.17	156.67
Total personnel expenses	**1,684.98**	**1,676.22**

Included in the above wages and salaries is the amount of RON 18.33 million, representing Company's contribution to state pension plan for the year ended December 31, 2019 (2018: RON 31.35 million).

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

	2019	2018
Depreciation and amortization	2,723.64	2,676.47
Net impairment/(write-up) intangible assets and property, plant and equipment	674.70	(12.93)
Total depreciation, amortization and net impairment	**3,398.34**	**2,663.54**

Net impairment losses booked during the year ended December 31, 2019 for intangible assets and property, plant and equipment (including those classified as held for sale) were related to Upstream segment in amount of RON 669.15 million (including mainly impairments for replaced assets, unsuccessful workovers, assets held for sale and unsuccessful exploration assets in Romania), to Downstream Oil segment in amount of RON 0.76 million, Downstream Gas segment in amount of RON 3.82 million and Corporate & Other segment in the amount of RON 0.97 million.

Net write-ups booked during the year ended December 31, 2018 for intangible assets and property, plant and equipment were related to Upstream segment write-ups of RON 21.88 million (impact from reversal of a previously recognized impairment of RON 430.40 million, partially compensated by impairments, mainly for replaced assets, unsuccessful workovers and exploration assets), impairment related to Downstream Oil segment in amount of RON 8.32 million, to Downstream Gas segment in amount of RON 0.62 million and to Corporate & Other segment in amount of RON 0.01 million.

In the income statement as at December 31, 2019 the write-ups are included in other operating income in amount of RON 5.18 million (2018: RON 432.94 million) and impairment losses are included under depreciation, amortization and impairment charges in amount of RON 552.46 million (2018: RON 294.88 million) and under exploration expenses in amount of RON 127.42 million (2018: RON 125.13 million).

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

23. INTEREST INCOME AND INTEREST EXPENSES

	2019	2018
Interest income		
Interest income related to subsidiaries	19.34	42.29
Interest income from receivables and other	78.24	4.57
Interest income from short term bank deposits	133.85	100.10
Unwinding income for other financial assets and positive effect of changes in discount rate and timing for Romanian State receivable	92.68	48.07
Total interest income	**324.11**	**195.03**
Interest expenses		
Interest expenses	(61.10)	(81.35)
Unwinding expenses for retirement benefits provision	(9.66)	(8.87)
Unwinding expenses for decommissioning provision net of the unwinding income for related Romanian State receivable	(227.92)	(253.47)
Unwinding expenses and discounting for other items and negative effect of changes in discount rate and timing for Romanian State receivable	(8.85)	(109.88)
Total interest expenses	**(307.53)**	**(453.57)**
Net interest revenues/(expenses)	**16.58**	**(258.54)**

24. OTHER FINANCIAL INCOME AND EXPENSES

	2019	2018
Financial income		
Exchange gains from financing activities	32.79	64.46
Gains from investments and financial assets	52.59	39.75
Total financial income	**85.38**	**104.21**
Financial expenses		
Exchange losses from financing activities	(29.95)	(34.81)
Losses from investments and financial assets	(1.44)	(58.04)
Other financial expenses	(2.91)	(31.36)
Total financial expenses	**(34.30)**	**(124.21)**
Other financial income and expenses	**51.08**	**(20.00)**

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

25. TAXES ON INCOME

	2019	2018
Taxes on income - current taxes	(576.30)	(623.01)
Deferred tax revenue/(expense)	55.25	(102.14)
Total taxes on income –expense	**(521.05)**	**(725.15)**

The reconciliation of deferred taxes is as follows:

	2019	2018
Deferred tax asset at January 1	1,357.16	1,461.38
Adjustments on initial application of IFRS 9	-	0.04
Adjusted deferred taxes January 1	1,357.16	1,461.42
Deferred tax asset at December 31	1,411.81	1,357.16
Changes in deferred taxes	**54.65**	**(104.26)**
thereof deferred taxes expenses in Other Comprehensive Income	(0.60)	(2.12)
thereof deferred taxes (expenses)/revenues in the Income Statement	55.25	(102.14)

Reconciliation

	2019	2018
Profit before tax	**4,084.64**	**4,604.80**
Income tax rate applicable	16.00%	16.00%
Profit tax expense based on income tax rate	**(653.54)**	**(736.77)**
Tax credit	61.74	31.03
Change in valuation allowance	1.77	1.43
Tax effect of items that are (non-deductible)/non-taxable	68.98	(20.84)
Profits tax expense in the Income Statement	**(521.05)**	**(725.15)**

26. SEGMENT INFORMATION

OMV Petrom S.A. is organized in three operating business segments: Upstream, Downstream Oil and Downstream Gas, while management, financing activities and certain service functions are concentrated in the Corporate & Other segment.

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

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

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

Upstream activities are engaged in Romania and main outcome products are crude oil and natural gas.

Downstream Oil operates Petrobrazi refinery, with an annual capacity of 4.5 million tons, and produces and delivers gasoline, diesel and other petroleum products to its wholesale customers.

Gas business unit, part of Downstream Gas segment, has the strategic objective to focus on gas sales, becoming a regional player. Business division **Power,** part of Downstream Gas segment, extends the gas value chain into a gas-fired power plant.

The key figure of operating performance for OMV Petrom S.A. is the Operating result. In compiling the segment results, business activities with similar characteristics have been aggregated. Management is of the opinion that the transfer prices of goods and services exchanged between segments correspond to market prices.

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

26. SEGMENT INFORMATION (continued)

Operating segments:

December 31, 2019	Upstream	Downstream*)	Downstream Oil	Downstream Gas	Downstream elimination	Corporate & Other	Total	Consolidation	Total
Intersegment sales	9,059.38	180.01	53.56	222.27	(95.82)	151.43	**9,390.82**	(9,390.82)	**-**
Sales with third parties	70.25	19,837.92	13,503.25	6,334.67	-	35.54	**19,943.71**	-	**19,943.71**
Total sales	**9,129.63**	**20,017.93**	**13,556.81**	**6,556.94**	**(95.82)**	**186.97**	**29,334.53**	(9,390.82)	**19,943.71**
Operating result	**2,514.59**	**1,759.58**	**1,311.14**	**448.44**	**-**	**(163.33)**	**4,110.84**	(93.86)	**4,016.98**
Total assets **	23,390.54	4,859.95	3,776.34	1,083.61	-	465.42	**28,715.91**	-	**28,715.91**
Additions in PPE/IA	3,863.31	586.71	488.14	98.57	-	52.59	**4,502.61**	-	**4,502.61**
Depreciation and amortization	2,040.16	642.40	554.14	88.26	-	41.08	**2,723.64**	-	**2,723.64**
Impairment losses/(write-ups), net	669.15	4.58	0.76	3.82	-	0.97	**674.70**	-	**674.70**

Information about geographical areas:

December 31, 2019	Romania	Rest of Central Eastern Europe	Rest of Europe	Rest of world	Total
Sales with third parties***	19,640.66	252.04	41.66	9.35	**19,943.71**
Total assets**	28,715.91	-		-	**28,715.91**
Additions in PPE/IA	4,502.61	-		-	**4,502.61**

*) Sales Downstream = Sales Downstream Oil + Sales Downstream Gas – intersegmental elimination Downstream Oil and Downstream Gas
**) Intangible assets (IA) and property, plant and equipment (PPE)
***) Sales are allocated per countries/regions based on the location where the risks and benefits are transferred to the customer.

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

26. SEGMENT INFORMATION (continued)

Operating segments:

December 31, 2018	**Upstream**	**Downstream***	**Downstream Oil**	**Downstream Gas**	**Downstream elimination**	**Corporate & Other**	**Total**	**Consolidation**	**Total**
Intersegment sales	9,214.22	162.86	58.67	177.59	(73.40)	138.84	**9,515.92**	(9,515.92)	**-**
Sales with third parties	86.44	17,654.96	13,046.39	4,608.57	-	40.19	**17,781.59**	-	**17,781.59**
Total sales	**9,300.66**	**17,817.82**	**13,105.06**	**4,786.16**	**(73.40)**	**179.03**	**27,297.51**	(9,515.92)	**17,781.59**
Operating result	**3,364.80**	**1,515.60**	**1,242.92**	**272.68**	**-**	**(114.29)**	**4,766.11**	117.23	**4,883.34**
Total assets **	22,430.21	4,861.79	3,780.22	1,081.57	-	419.56	**27,711.56**	-	**27,711.56**
Additions in PPE/IA ***	3,208.64	903.64	939.95	(36.31)	-	0.88	**4,113.16**	-	**4,113.16**
Depreciation and amortization	2,059.83	594.55	503.89	90.66	-	22.09	**2,676.47**	-	**2,676.47**
Impairment losses/(write-ups), net	(21.88)	8.94	8.32	0.62	-	0.01	**(12.93)**	-	**(12.93)**

Information about geographical areas:

December 31, 2018	**Romania**	**Rest of Central Eastern Europe**	**Rest of world**	**Total**
Sales with third parties****	17,574.29	195.81	11.49	**17,781.59**
Total assets**	27,711.56	-	-	**27,711.56**
Additions in PPE/IA	4,113.16	-	-	**4,113.16**

*) Sales Downstream = Sales Downstream Oil + Sales Downstream Gas – intersegmental elimination Downstream Oil and Downstream Gas
**) Intangible assets (IA) and property, plant and equipment (PPE)
***) Additions in Downstream Gas were reduced by the amount of RON 103.43 million in relation to the government grant receivable from the Romanian Ministry of Energy (Note 8).
****) Sales are allocated per countries/regions based on the location where the risks and benefits are transferred to the customer.

27. AVERAGE NUMBER OF EMPLOYEES

The number of employees calculated as the average of the month's end number of employees during the year is 11,814 for 2019 and 12,498 for 2018.

28. RELATED PARTIES

The terms of the outstanding balances receivable from/payable to related parties are typically 0 to 90 days. The balances are unsecured and will be settled mainly in cash.

The balances with related parties comprise also loans receivable and payable, included in the Statement of financial position under "Other financial assets" (see also Note 8) and "Interest-bearing debts" respectively (refer to Note 14 c).

Dividends receivable are not included in the below balances and revenues.

Please refer to Note 31 for details on the guarantees given or paid to related parties.

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

28. RELATED PARTIES (continued)

During 2019, the Company had the following transactions with related parties (including balances as of December 31, 2019):

	Nature of transaction	Purchases	Balances payable
OMV Petrom S.A. subsidiaries			
OMV Petrom Gas S.R.L.	Acquisition of natural gas and other	90.94	-
OMV Petrom Marketing S.R.L.	Acquisition of petroleum products	34.28	63.02
OMV Petrom Aviation S.R.L.	Airport services	25.72	2.05
Petromed Solutions S.R.L.	Medical services	21.33	1.17
Petrom Moldova S.R.L	Acquisition of diesel	0.40	0.10
Kom Munai LLP	Various services	0.12	-
Trans Gas LPG Services S.R.L.	Various services	0.01	-
Total OMV Petrom S.A. subsidiaries		**172.80**	**66.34**
Other related parties			
OMV Supply & Trading Limited	Acquisition of crude oil and petroleum products	2,111.41	204.02
OMV Petrom Global Solutions SRL	Financial, IT and other services	450.73	101.29
OMV Gas Marketing & Trading GmbH	Acquisition of natural gas and other	356.56	51.55
OMV Exploration & Production GmbH	Delegation of personnel and other	85.49	34.91
OMV Refining & Marketing GmbH	Acquisition of petroleum products, other materials and services	58.02	30.15
OMV Aktiengesellschaft	Delegation of personnel and other	35.64	30.84
OMV Gas & Power GmbH	Delegation of personnel and other	5.66	2.84
OMV Deutschland GmbH	Acquisition of propylene	0.10	-
OMV Gas Marketing & Trading Hungária Kft.	Various services	0.01	-
OMV International Services GmbH	Various services	0.01	-
Total other companies		**3,103.63**	**455.60**
Total		**3,276.43**	**521.94**

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

28. RELATED PARTIES (continued)

	Nature of transaction	Revenues	Balances receivable
OMV Petrom S.A. subsidiaries			
OMV Petrom Marketing S.R.L.	Sales of petroleum products	9,965.97	677.86
OMV Petrom Gas S.R.L.	Sales of gas	1,181.39	0.37
OMV Bulgaria OOD	Sales of petroleum products	643.92	65.92
Petrom Moldova S.R.L	Sales of petroleum products	214.30	12.15
OMV Srbjia DOO	Sales of petroleum products	172.97	14.88
Tasbulat Oil Corporation LLP	Delegation of personnel and other	4.86	0.81
Kom Munai LLP	Delegation of personnel and other	4.48	1.00
Petromed Solutions S.R.L.	Financial, IT and other services	1.93	0.18
OMV Petrom Aviation S.R.L.	Various services	0.40	0.08
Energy Production Enhancement S.R.L.	Various services	0.02	-
Trans Gas LPG Services S.R.L.	Various services	0.01	-
Total OMV Petrom S.A. subsidiaries		**12,190.25**	**773.25**
Other related parties			
OMV Gas Marketing & Trading GmbH	Sales of electricity and other	322.69	36.37
OMV Deutschland GmbH	Sales of propylene	298.76	44.57
OMV Refining & Marketing GmbH	Sales of petroleum products, delegation of personnel and other	78.47	14.54
OMV Exploration & Production GmbH	Delegation of personnel and other	28.88	4.31
OMV Petrom Global Solutions SRL	Various services	23.92	2.39
OMV Aktiengesellschaft	Delegation of personnel and other	11.65	2.65
Borealis	Various sales and services	0.03	0.01
OMV Austria Exploration & Production GmbH	Sale of fixed assets	0.03	-
Total other companies		**764.43**	**104.84**
Total		**12,954.68**	**878.09**

In 2019, the natural gas supply business of OMV Petrom Gas S.R.L. was transferred to OMV Petrom S.A. in order to better react to market opportunities and needs.

In December 2019, OMV Petrom S.A. signed a contract to acquire OMV Offshore Bulgaria GmbH, which currently holds a 30% stake in the Han Asparuh exploration license in Bulgaria. Closing of the transaction is subject to certain conditions precedent and is expected to take place by mid-2020.

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

28. RELATED PARTIES (continued)

During 2018, the Company had the following transactions with related parties (including balances as of December 31, 2018):

	Nature of transaction	Purchases	Balances payable
OMV Petrom S.A. subsidiaries			
OMV Petrom Gas S.R.L.	Acquisition of gas and other	78.87	1.86
OMV Petrom Marketing S.R.L.	Acquisition of petroleum products	45.71	44.16
OMV Petrom Aviation S.A.	Airport services	22.89	5.25
Petromed Solutions S.R.L.	Medical services	21.10	1.80
Kom Munai LLP	Various services	0.14	-
Petrom Moldova S.R.L	Various services	0.11	0.01
OMV Bulgaria OOD	Various services	0.01	-
Total OMV Petrom S.A. subsidiaries		**168.83**	**53.08**
Other related parties			
OMV Supply & Trading Limited	Acquisition of crude oil and petroleum products	1,008.74	141.37
OMV Petrom Global Solutions SRL	Financial, IT and other services	410.80	97.64
OMV Refining & Marketing GmbH	Acquisition of petroleum products, other materials and services	138.08	33.39
OMV Gas Marketing & Trading GmbH	Services and other	93.35	9.00
OMV Exploration & Production GmbH	Delegation of personnel and other	80.00	25.39
OMV Aktiengesellschaft	Delegation of personnel and other	47.35	29.85
OMV Gas & Power GmbH	Delegation of personnel and other	4.86	3.65
OMV Austria Exploration & Production GmbH	Various services	2.74	-
OMV International Oil & Gas GmbH	Delegation of personnel and other	0.37	-
OMV Deutschland GmbH	Various services	0.14	0.14
Total other companies		**1,786.43**	**340.43**
Total		**1,955.26**	**393.51**

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

28. RELATED PARTIES (continued)

	Nature of transaction	Revenues	Balances receivable
OMV Petrom S.A. subsidiaries			
OMV Petrom Marketing S.R.L.	Sales of petroleum products	9,769.35	1,132.21
OMV Petrom Gas S.R.L.	Sales of gas	2,744.14	386.50
OMV Bulgaria OOD	Sales of petroleum products	485.93	68.64
Petrom Moldova S.R.L	Sales of petroleum products	226.62	20.52
OMV Srbjia DOO	Sales of petroleum products	112.69	24.11
Tasbulat Oil Corporation LLP	Delegation of personnel and other	6.12	0.80
Kom Munai LLP	Delegation of personnel and other	5.36	0.96
OMV Petrom Aviation S.A.	IT and other services	3.23	0.08
Petromed Solutions S.R.L.	Financial, IT and other services	2.03	0.26
Trans Gas LPG Services S.R.L.	Various services	0.06	0.01
Energy Production Enhancement S.R.L.	Other services	0.03	-
Total OMV Petrom S.A. subsidiaries		**13,355.56**	**1,634.09**
Other related parties			
OMV Deutschland GmbH	Sales of propylene	366.73	63.95
OMV Refining & Marketing GmbH	Sales of petroleum products, delegation of personnel and other	131.94	1.85
OMV Gas Marketing & Trading GmbH	Services and other	93.65	6.37
OMV Petrom Global Solutions SRL	Various services	26.23	3.87
OMV Exploration & Production GmbH	Delegation of personnel and other	26.28	4.53
OMV Aktiengesellschaft	Delegation of personnel and other	10.45	2.54
OMV Austria Exploration & Production GmbH	Sale of fixed assets	7.09	7.09
Borealis	Various services	0.03	0.01
OMV Supply & Trading Limited	Sales of petroleum products	-	1.03
Total other companies		**662.40**	**91.24**
Total		**14,017.96**	**1,725.33**

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

28. RELATED PARTIES (continued)

During 2019, there were in place intercompany loans granted by the Company to the following subsidiaries:

a) OMV Bulgaria OOD: one intercompany loan with maximum limit of EUR 55.00 million (equivalent of RON 262.86 million) and maturity December 30, 2023.

b) OMV Srbjia DOO: one intercompany loan with maximum limit of EUR 20.00 million (equivalent of RON 95.59 million) and maturity December 30, 2023.

c) Petrom Moldova S.R.L.: one intercompany loan with maximum limit of EUR 10.00 million (equivalent of RON 47.79 million) and maturity August 7, 2024.

d) Kom Munai LLP: one intercompany loan with maximum limit of USD 262.00 million (equivalent of RON 1,116.33 million) and maturity September 30, 2022.

e) Tasbulat Oil Corporation: one intercompany loan with maximum limit of USD 50.00 million (equivalent of RON 213.04 million) and maturity September 30, 2022.

The balances receivable in respect to these loans, as at December 31, 2019 and December 31, 2018 are presented below:

	Gross balance at December 31, 2019	**Impairment at December 31, 2019**	**Net balance at December 31, 2019**	**Net balance at December 31, 2018**
Kom Munai LLP	165.00	-	165.00	206.80
OMV Bulgaria OOD	131.53	-	131.53	170.37
Tasbulat Oil Corporation LLP	87.71	19.29	68.42	18.25
OMV Petrom Gas S.R.L. *)	-	-	-	47.12
Petrom Moldova S.R.L.	47.82	-	47.82	26.60
Total	**432.06**	**19.29**	**412.77**	**469.14**

*) The balance of OMV Petrom Gas S.R.L. at December 31, 2018 was in relation with cash pooling agreement. For details about the cash pooling agreements please refer to Note 14 b).

The movements in impairment allowances for loans to subsidiaries were as follows:

	2019
January 1	**71.77**
Net allocations/(releases)	(52.48)
December 31	**19.29**

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

28. RELATED PARTIES (continued)

Interest income and interest expenses as well as balances receivable and balances payable related to interest income and interest expenses in respect to related parties are presented below:

	Interest income 2019	Balances receivable at December 31, 2019	Interest income 2018	Balances receivable at December 31, 2018
OMV Petrom S.A. subsidiaries				
Kom Munai LLP	10.11	0.29	31.37	0.45
Tasbulat Oil Corporation LLP	4.76	0.15	4.97	0.19
OMV Bulgaria OOD	2.90	0.10	2.80	0.13
Petrom Moldova S.R.L.	0.61	0.03	0.47	0.02
OMV Petrom Gas S.R.L.	0.50	-	0.03	-
OMV Srbija DOO	0.46	-	0.35	-
OMV Petrom Marketing S.R.L.	-	-	2.29	-
Total OMV Petrom S.A. subsidiaries	**19.34**	**0.57**	**42.28**	**0.79**
Other related parties	**-**	**-**	**-**	**-**
Total	**19.34**	**0.57**	**42.28**	**0.79**

	Interest expenses 2019	Balances payable at December 31, 2019	Interest expenses 2018	Balances payable at December 31, 2018
OMV Petrom S.A. subsidiaries				
OMV Petrom Marketing S.R.L.	36.02	2.90	15.01	3.13
OMV Petrom Gas S.R.L.	3.89	0.19	5.88	0.27
OMV Petrom Aviation S.R.L.	0.49	0.03	0.48	0.04
Petromed Solutions S.R.L.	0.22	0.02	0.18	0.02
Total OMV Petrom S.A. subsidiaries	**40.62**	**3.14**	**21.55**	**3.46**
Other related parties				
OMV Petrom Global Solutions S.R.L.	1.67	0.14	4.81	0.50
Total other related parties	**1.67**	**0.14**	**4.81**	**0.50**
Total	**42.29**	**3.28**	**26.36**	**3.96**

28. RELATED PARTIES (continued)

Ultimate parent

As disclosed in Note 1, OMV Petrom S.A.'s major shareholder is OMV Aktiengesellschaft, being the ultimate parent of the Group, with its office based at Trabrennstraße 6-8, 1020 Vienna, Austria. The main shareholders of OMV Aktiengesellschaft are Österreichische Beteiligungs AG (ÖBAG; previously Österreichische Bundes- und Industriebeteiligungen GmbH (ÖBIB), Vienna, which is in turn wholly owned by the Republic of Austria – 31.5%) and Mubadala Petroleum and Petrochemicals Holding Company (MPPH, Abu Dhabi – 24.9%). There is a consortium agreement in place between MPPH and ÖBAG providing for coordinated behavior and certain restrictions on transfers of shareholdings.

The consolidated financial statements of OMV Aktiengesellschaft are prepared in accordance with IFRS as adopted by EU and in accordance with the supplementary accounting regulations pursuant to Sec. 245a, Para. 1 of the Austrian Company Code (UGB) and are available on OMV's website:
http://www.omv.com/portal/01/com/omv/OMV_Group/investors-relations/reportsandpresentations.

Key management remuneration

For 2019, the General Meeting of Shareholders approved an annual gross remuneration corresponding to a net remuneration for each member of the Supervisory Board amounting to EUR 20,000 per year (2018: EUR 20,000 per year), an additional gross remuneration per meeting corresponding to a net remuneration of EUR 4,000 for each member for the Audit Committee (2018: EUR 4,000 per meeting) and an additional gross remuneration per meeting corresponding to a net remuneration of EUR 2,000 for each member for the Presidential and Nomination Committee (2018: EUR 2,000 per meeting).

At December 31, 2019 and December 31, 2018, there are no loans or advances granted by the Company to the members of the Supervisory Board. As at December 31, 2019 and December 31 2018, the Company does not have any obligations regarding pension payments to former members of the Supervisory Board.

The remuneration paid to members of the Executive Board and to the directors reporting to Executive Board members consists of a fixed monthly salary, bonuses and other benefits, including benefits in-kind. The aggregate amount of remuneration and other benefits, including benefits in-kind, paid in 2019 to the benefit of the members of the Executive Board and of the directors reporting to Executive Board members, collectively as a group, for their activities performed in all capacities, amounted to RON 81.51 million (2018: RON 111.14 million).

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

29. CASH FLOW STATEMENT INFORMATION

a) Drawings and repayments of other borrowings

During 2019 OMV Petrom S.A. has not drawn any borrowings (2018: RON 38.56 million) and has repaid borrowings amounting to RON 226.85 million (2018: RON 377.64 million) and lease obligations amounting to RON 80.86 million (2018: RON 31.89 million).

The following table shows a reconciliation of the changes in liabilities arising from financing activities:

	Interest-bearing debts	Lease liabilities	Total
1 January 2019	**2,011.88**	**155.31**	**2,167.19**
Repayments of interest bearing debts and principal portion of lease liabilities	(226.85)	(80.86)	(307.71)
Net decrease in loans with subsidiaries	(84.46)	-	(84.46)
Total cash flows relating to financing activities	**(311.31)**	**(80.86)**	**(392.17)**
Lease liabilities recognized during the year, including transition to IFRS 16	-	443.68	443.68
Net other changes	7.35	(7.11)	0.24
Total non-cash changes	**7.35**	**436.57**	**443.92**
31 December 2019	**1,707.92**	**511.02**	**2,218.94**
thereof short-term	1,510.04	111.24	1,621.28
thereof long-term	197.88	399.78	597.66

b) Investments in subsidiaries

During 2019 OMV Petrom received RON 38.24 million following the reduction in the share capital of the associated entity OMV Petrom Global Solutions S.R.L. and RON 86.07 million following the reduction in the share capital of the subsidiary OMV Petrom Marketing S.R.L. The Company increased its contribution to the share capital of the not-consolidated subsidiary Energy Production Enhancement S.R.L. with RON 0.05 million.

During 2018 OMV Petrom acquired the remaining non-controlling interest of 5% in Kom Munai LLP, reaching shareholding of 100%, for which an amount of RON 1.01 million was paid. Also, during 2018 OMV Petrom paid in cash an amount of RON 1,366.00 million for the increase in share capital of Kom Munai LLP and an amount of RON 0.52 million for the increase in share capital of Petrom Exploration & Production Limited.

c) Net loans reimbursed by subsidiaries

During 2019 OMV Petrom S.A. granted loans amounting to RON 59.99 million (2018: RON 114.33 million) and was reimbursed loans amounting to RON 186.47 million (2018: RON 612.92 million).

d) Proceeds in relation to non-current assets

In 2019, proceeds in relation to non-current assets include the amount of RON 226.59 million representing encashment of first two tranches of the government grant for Brazi power plant investment (2018: nil). For details please see Note 8 b).

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

29. CASH FLOW STATEMENT INFORMATION (continued)

e) Transfer of business

In March 2019, OMV Petrom transferred 9 marginal onshore fields to Mazarine Energy Romania S.R.L.

Net assets at the date of transfer

	2019
Intangible assets and property, plant and equipment	129.63
Provisions for decommissioning and restoration	(103.87)
Other adjustments related to items transferred	1.05
Net assets	**26.81**

Gain/(Loss) on transfer of business

	2019
Proceeds on transfer of business	78.58
Net assets disposed of	(26.81)
Gain on transfer of business	**51.77**

Net cash flow from transfer of business

	2019
Net consideration received	78.58
Net cash inflow on transfer of business	**78.58**

The gain on transfer of business comprises the amount of RON 52.82 million reflected under “Gains on disposal of non-current assets” (see Note 19) and losses related to other items in amount of RON 1.05 million.

In 2018, OMV Petrom did not transfer any business.

f) Disposal of investments

During 2019, OMV Petrom did not disposed of any investment.

The amount of RON 13.21 million received during 2018 represents the deferred consideration for sale in December 2017 of shares in subsidiary Wind Power Park S.R.L.

g) Exploration cash-flows

The amount of cash outflows in relation to exploration activities incurred by OMV Petrom S.A. for the year ended December 31, 2019 is of RON 497.10 million (2018: RON 624.10 million), out of which the amount of RON 129.51 million is related to operating activities (2018: RON 72.83 million) and the amount of RON 367.59 million represents cash outflows for exploration investing activities (2018: RON 551.27 million).

h) Cash and cash equivalents

	December 31, 2019
Cash at banks and on hand	116.00
Short-term deposits	6,679.30
Cash and cash equivalents	**6,795.30**

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

30. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The following overview presents the measurement of assets and liabilities recognized at fair value.

In accordance with IFRS 13, the individual levels are defined as follows:
Level 1: Using quoted prices in active markets for identical assets or liabilities.
Level 2: Using inputs for the asset or liability, other than quoted prices, that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: Using inputs for the asset or liability that are not based on observable market data such as prices, but on internal models or other valuation methods.

Fair value hierarchy of financial assets as at December 31, 2019

	Level 1	Level 2	Level 3	Total
Derivatives designated and effective as hedging instruments	-	227.01	-	227.01
Other derivatives	-	54.55	-	54.55
Total	**-**	**281.56**	**-**	**281.56**

Fair value hierarchy of financial liabilities and liabilities associated with assets held for sale as at December 31, 2019

	Level 1	Level 2	Level 3	Total
Derivatives designated and effective as hedging instruments	-	(194.03)	-	(194.03)
Other derivatives	-	(19.69)	-	(19.69)
Net amount of assets and liabilities associated with assets held for sale	-	(6.55)	-	(6.55)
Other financial liabilities	-	-	(14.31)	(14.31)
Total	**-**	**(220.27)**	**(14.31)**	**(234.58)**

Fair value hierarchy of financial assets as at December 31, 2018

	Level 1	Level 2	Level 3	Total
Derivatives designated and effective as hedging instruments	-	5.78	-	5.78
Other derivatives	-	44.94	-	44.94
Total	**-**	**50.72**	**-**	**50.72**

Fair value hierarchy of financial liabilities as at December 31, 2018

	Level 1	Level 2	Level 3	Total
Derivatives designated and effective as hedging instruments	-	(0.75)	-	(0.75)
Other derivatives	-	(162.78)	-	(162.78)
Other financial liabilities			(11.41)	(11.41)
Total	**-**	**(163.53)**	**(11.41)**	**(174.94)**

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

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

There were no transfers between levels of the fair value hierarchy. There were no changes in the fair value measurement techniques for assets and liabilities that are measured at fair value.

The financial assets and financial liabilities whose fair values differ from their carrying amounts as at December 31, 2019 and December 31, 2018 (Level 2 – observable inputs), as well as the respective differences are presented in the tables below. The fair values of these financial assets and liabilities were determined by discounting future cash flows using interest rates prevailing at the reporting date for similar assets and liabilities with similar maturities.

The carrying amount of other financial assets and financial liabilities that were measured at amortized cost approximates their fair value.

December 31, 2019

	Fair value	Carrying amount	Difference
Loans to subsidiaries	421.73	412.77	8.96
Financial assets	**421.73**	**412.77**	**8.96**
Interest-bearing debts	1,713.34	1,707.92	5.42
Financial liabilities	**1,713.34**	**1,707.92**	**5.42**

December 31, 2018

	Fair value	Carrying amount	Difference
Loans to subsidiaries	484.69	469.14	15.55
Financial assets	**484.69**	**469.14**	**15.55**
Interest-bearing debts	2,016.85	2,011.88	4.97
Finance lease liabilities	160.01	155.31	4.70
Financial liabilities	**2,176.86**	**2,167.19**	**9.67**

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amounts are reported in the statement of financial position when OMV Petrom has a current legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. OMV Petrom enters in the normal course of business into various master netting arrangements in the form of International Swaps and Derivatives Association (ISDA) agreements or European Federation of Energy Traders (EFET) agreements or other similar arrangements that do not meet the criteria of offsetting in the statement of the financial position in accordance with IAS 32.

The following tables present the carrying amounts of recognized financial assets and financial liabilities that are subject to various netting arrangements. The net column would be on the Company's statement of financial position, if all set-off rights were exercised.

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

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

Offsetting of financial assets 2019

	Gross amounts	Amounts set-off in the statement of financial position	Net amounts presented in the statement of financial position *)	Liabilities with right of set-off (not offset)	Net amounts
Derivative financial instruments	281.56	-	281.56	(188.31)	93.25
Trade receivables	1,923.71	(66.37)	1,857.34	-	1,857.34
Other financial assets	401.83	(88.45)	313.38	-	313.38
Total	**2,607.10**	**(154.82)**	**2,452.28**	**(188.31)**	**2,263.97**

*) Net amounts presented in the statement of financial position are detailed in Note 8.

Offsetting of financial liabilities 2019

	Gross amounts	Amounts set-off in the statement of financial position	Net amounts presented in the statement of financial position *)	Assets with right of set-off (not offset)	Net amounts
Derivative financial instruments	213.72	-	213.72	(188.31)	25.41
Trade payables	2,820.78	(154.82)	2,665.96	-	2,665.96
Other financial liabilities	171.75	-	171.75	-	171.75
Total	**3,206.25**	**(154.82)**	**3,051.43**	**(188.31)**	**2,863.12**

*) Net amounts presented in the statement of financial position are detailed in Note 15.

The comparative tables for 2018 were changed in order to be in line with 2019 disclosures.

Offsetting of financial assets 2018

	Gross amounts	Amounts set-off in the statement of financial position	Net amounts presented in the statement of financial position *)	Liabilities with right of set-off (not offset)	Net amounts
Derivative financial instruments	66.04	(15.32)	50.72	-	50.72
Trade receivables	2,172.14	(145.62)	2,026.52	-	2,026.52
Other financial assets	610.80	(20.63)	590.17	-	590.17
Total	**2,782.94**	**(166.25)**	**2,616.69**	**-**	**2,616.69**

*) Net amounts presented in the statement of financial position are detailed in Note 8.

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

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

Offsetting of financial liabilities 2018

	Gross amounts	Amounts set-off in the statement of financial position	Net amounts presented in the statement of financial position *)	Assets with right of set-off (not offset)	Net amounts
Derivative financial instruments	178.85	(15.32)	163.53	-	163.53
Trade payables	2,558.99	(145.62)	2,413.37	-	2,413.37
Other financial liabilities	176.72	(20.63)	156.09	-	156.09
Total	**2,914.56**	**(181.57)**	**2,732.99**	**-**	**2,732.99**

*) Net amounts presented in the statement of financial position are detailed in Note 15.

31. COMMITMENTS AND CONTINGENCIES

Commitments

As at December 31, 2019 the total commitments engaged by the Company for investments (except those in relation to joint arrangements) are in amount of RON 893.11 million (2018: RON 853.55 million), out of which RON 717.00 million related to property, plant and equipment (2018: RON 760.45 million) and RON 176.11 million for intangible assets (2018: RON 93.10 million).

The Company has additional commitments in relation to joint arrangements - for details please refer to Note 32.

Litigations

We face a variety of litigations, arbitrations, proceedings and disputes referring to a wide range of subjects, such as, but without being limited to, real estate matters, fiscal matters, intellectual property, environmental, competition, administrative matters, commercial matters, labour related litigation, debt recovery, insolvency of contractors, criminal deeds, and contraventional matters. It is possible that unanticipated judicial outcomes might occur.

The Company provides for litigations that are likely to result in obligations. Management is of the opinion that litigations, to the extent not covered by provisions or insurance, will not materially affect the Company's financial position.

Contingent liabilities

The production facilities and properties of the Company are subject to a variety of environmental protection laws and regulations; provisions are made for probable obligations arising from environmental protection measures.

The contingency disclosed in 2018 financial statements related to the Arpechim refinery site is no longer applicable, as a provision for soil remediation was set up during 2019 (see Note 13).

31. COMMITMENTS AND CONTINGENCIES (continued)

OMV Petrom has contingent liabilities representing performance guarantees in amount of RON 159.78 million as at December 31, 2019 (2018: RON 9.90 million) and several parent company guarantees (PCG's) with total exposure of RON 189.10 million (2018: RON 125.93 million), as follows:

- a PCG issued on behalf of OMV Srbjia DOO to cover the risk of non-payment of liabilities for fuels to supplier Nafta Industrija Srbije j.s.c, to the limit of RON 172.06 million at December 31, 2019, equivalent of EUR 36.00 million (2018: RON 125.93 million, equivalent of EUR 27 million).
- a PCG issued on behalf of OMV Srbjia DOO to cover the risk of non-payment of liabilities for petroleum products to supplier KazMunayGas Trading AG, to the limit of RON 17.04 million at December 31, 2019, equivalent of USD 4.00 million (2018: nil).

32. INTERESTS IN JOINT ARRANGEMENTS

In 2008 OMV Petrom S.A. entered into a farm out arrangement with ExxonMobil Exploration and Production Romania Limited (“Exxon”) with the purpose to explore and develop the Neptun Deepwater block in Black Sea and has a participating interest of 50%. Starting August 2011, ExxonMobil has been appointed as operator (previously OMV Petrom S.A. was operator).

In 2010 OMV Petrom S.A. entered into a farm out arrangement with Hunt Oil Company of Romania S.R.L. (“Hunt”) with the purpose to explore and develop Adjud and Urziceni East onshore blocks and has a participating interest of 50%. Starting October 2013, Hunt has been appointed as operator (previously OMV Petrom S.A. was operator).

In 2013 OMV Petrom S.A. entered into four farm out arrangements with Repsol with the purpose to explore and develop four onshore blocks (Băicoi V, Târgovişte VI, Piteşti XII and Târgu Jiu XIII) for the area deeper than 2,500-3,000 m and had a participating interest of 51%. OMV Petrom S.A. had been appointed operator. During 2018, Repsol notified OMV Petrom of its intention to exit the licenses and the National Agency for Mineral Resources approved the takeover by OMV Petrom of Repsol’s interest in the four onshore exploration licenses. Following National Agency for Mineral Resources approval, OMV Petrom became sole titleholder and operator of the four exploration blocks.

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

OMV Petrom’s share of the aggregate capital commitments for these joint arrangements as at December 31, 2019 is amounting RON 57.86 million (2018: RON 45.84 million), mainly in relation to offshore activities requirements.

33. RISK MANAGEMENT

Capital risk management

OMV Petrom S.A. continuously manages its capital adequacy to ensure that it is optimally capitalized, in accordance with its risks exposure in order to maximize the return to stakeholders. The capital structure of OMV Petrom S.A. consists of shareholders’ equity (comprising share capital, retained earnings and other reserves as disclosed in the “Statement of Changes in Equity”) and debt (which includes the short and long term Interest-bearing debts and Lease liabilities). Capital risk management at OMV Petrom S.A. is part of the value management and it is based on permanent review of the gearing ratio of the Company.

Net debt is calculated as interest-bearing debts and lease liabilities, less cash and cash equivalents. Due to the significant cash balance, OMV Petrom S.A. reported a net cash position of RON 4,576.36 million at December 31, 2019 (2018: RON 2,734.16 million).

The Company’s management reviews the capital structure as well as risk reports regularly. As part of this review, the cost of capital and the risks associated with each class of capital are considered.

33. RISK MANAGEMENT (continued)

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the financial statements.

Financial risk management objectives and policies

The objective of OMV Petrom Risk Management function is to assess if the risk estimations are within the tolerance levels set in the Risk Appetite statement and to provide assurance that the risks are well managed and kept under control by the risk owners. Low probability high potential impact risks are assessed and monitored individually, with a dedicated set of mitigating measures put in place.

The Risk Management function reports to OMV Petrom Executive Board and Supervisory Board's Audit Committee an overview of OMV Petrom Group's risk profile for midterm horizon (twice per year) and for the long term horizon (once per year).The reports summarize the risk management activities and initiatives undergone for mitigating the Company's risk exposures.

Risk exposures and responses

OMV Petrom S.A.'s Risk Management function performs a central coordination of a mid-term Enterprise Wide Risk Management (EWRM) and a long-term Strategic Risk Management processes in which it actively pursues the identification, analysis, evaluation and treatment of significant risks (market and financial, operational and strategic) in order to assess their effects on planned cash flows, to engage management in planning and implementing mitigating actions and to provide to the executive and Supervisory Board's Audit Committee members the assurance that risks are under control and within the tolerance levels from the risk appetite.

Risk Management function monitors and manages the significant risks of the Company through an integrated process in line with ISO 31000 EWRM standard.

Beside the business operational and strategic category of exposures, the market and financial risk category plays an important role in the Company's risk profile and it is managed with dedicated diligence – market and financial risks include, commodity market price risk, foreign exchange risk, interest rate risk, counterparty credit risk, and liquidity risk.

Response wise, any risk which increases near to its significance level or which is sensitive to the risk appetite level and is monitored and specific treatment plans are proposed, approved and implemented accordingly in order to decrease the risk exposure.

Commodity Market Price Risk

The Company is naturally exposed to the market risks arising from the price driven volatility of the cash flows generated by production, refining and marketing activities associated with crude oil, oil products, gas and electricity. The market risk has core strategic importance within the Company's risk profile and its midterm liquidity.

Financial derivative instruments are used where appropriate to hedge the main industry risks associated with price volatility such as the highly negative impact of low oil prices on cash flow.

Cash flow hedge accounting

In Downstream Oil Business, OMV Petrom is especially exposed to volatile refining margins and inventory risks. In order to mitigate those risks the Company enters into corresponding hedging activities, which include margin hedges as well as stock hedges.

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

33. RISK MANAGEMENT (continued)

The risk management strategy is to harmonize the pricing of product sales and purchases in order to remain within an approved range of priced stocks at all times, by means of undertaking stock hedges so as to mitigate the price exposure. In respect of refinery margin hedges, crude oil and products are hedged separately, with the aim to protect future margins.

During 2019, OMV Petrom concluded margin hedges in relation to highly probable sales of diesel, jet and fuel oil and stock hedges in relation to crude oil inventory purchased, using oil swaps instruments.

In case of refinery margin hedges for diesel and jet, the product crack spread is designated as the hedged item, buying Brent crude oil on a fixed basis and selling the product on a fixed basis. The crack spread for diesel and jet is a separately identifiable component and can therefore represent the specific risk component designated as hedged item. In case of refinery margin hedges on fuel oil, forecast sales and purchase transactions for fuel oil and oil products are designated as the hedged items.

Stock hedges are used to mitigate price exposure whenever actual priced stock levels deviate from target levels. Forecast sales and purchase transactions for crude oil and oil products are designated as the hedged item.

Hedge ineffectiveness can arise from timing differential between derivative and hedged item delivery and pricing differentials (derivatives are valued on the future monthly average quotations (or other periods) and sales/purchases are valued on prices at the date of transaction/delivery).

Cash flow hedging - Impact on the statement of financial position

	Swaps - forecast purchases	Swaps - forecast sales	Total
Nominal value	313.77	4,120.59	4,434.36
Below one year	193.60	2,794.79	2,988.39
More than one year	120.17	1,325.80	1,445.97
Fair value - assets	26.76	200.25	227.01
Fair value - liabilities	-	194.03	194.03
Cash flow hedge reserve (before tax)	26.76	6.22	32.98

Fair values shown in the above table are presented in lines “Other financial assets” and “Other financial liabilities” in the statement of financial position.

Cash flow hedging - Impact on the statement of comprehensive income

	Swaps - forecast purchase	Swaps - forecast sales	Total
Gains/(losses) of the period recognised in other comprehensive income	32.52	(7.83)	24.69
Hedge ineffectiveness recognized in income statement	0.05	(0.34)	(0.29)
Amounts reclassified from other comprehensive income	(5.76)	9.02	3.26

The hedge ineffectiveness and recycling of “Swaps – forecast sales” are both shown in line “Sales revenues” in the income statement, while for “Swaps – forecast purchase” these are included in line “Purchases (net of inventory variation)” in the income statement.

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

33. RISK MANAGEMENT (continued)

Cash flow hedging - Impact on the statement of changes in equity

	Swaps - forecast purchase	Swaps - forecast sales	Total
Cash flow hedge reserve as of 1 January 2019 (net of tax)	-	4.22	4.22
Gains/(losses) of the period recognised in other comprehensive income	32.52	(7.83)	24.69
Amounts reclassified from other comprehensive income	(5.76)	9.02	3.26
Tax effects	(4.28)	(0.19)	(4.47)
Cash flow hedge reserve as of 31 December 2019 (net of tax)	**22.48**	**5.22**	**27.70**

Foreign exchange risk management

Because OMV Petrom operates in many currencies, the exchange risks are analyzed. OMV Petrom is mostly exposed to the movement of the US dollar and Euro against Romanian leu. Other currencies have only limited impact on cash flows and operating result.

Financial derivative instruments may be used where appropriate to hedge the risk associated with foreign currency transactions, whereas a decrease of USD/RON currency rate or an increase of EUR/RON currency rate is unfavorable to company's cash flows.

Foreign currency sensitivity analysis

The carrying amounts at the reporting date of foreign currency denominated monetary assets and liabilities of OMV Petrom, which induce sensitivity to RON/EUR and RON/USD exchange rates in the financial statements, are as follows:

	December 31, 2019	December 31, 2018
Assets		
Thousand USD	146,059	79,164
Thousand EUR	99,559	117,855
Liabilities		
Thousand USD	125,643	57,232
Thousand EUR	197,297	197,298

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

+10% increase in the foreign currencies rates

	Thousand USD Impact (i)		Thousand EUR Impact (ii)	
	2019	**2018**	**2019**	**2018**
Profit/ (Loss)	1,268	2,070	(9,774)	(7,944)
Other comprehensive income	774	123	-	-

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

33. RISK MANAGEMENT (continued)

-10% decrease in the foreign currencies rates

	Thousand USD Impact (i)		Thousand EUR Impact (ii)	
	2019	2018	2019	2018
Profit/ (Loss)	(1,268)	(2,070)	9,774	7,944
Other comprehensive income	(774)	(123)	-	-

(i) This is mainly attributable to the exposure on USD loans to subsidiaries and derivative financial assets and liabilities.
(ii) This is mainly attributable to the exposure on EUR interest-bearing debts and lease liabilities.

The effect in equity is the effect in profit or loss before tax and other comprehensive income, net of income tax (16%).

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

Interest rate risk management

To facilitate management of interest rate risk, the Company's liabilities are analyzed in terms of fixed and variable rate borrowings, currencies and maturities. Currently, OMV Petrom has limited exposure to this risk.

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

Analysis for change in interest rate risk:

	Balance as at		Effect of 1% change in interest rate, before tax	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Short term borrowings	1,505.36	1,724.22	15.05	17.24
Long term borrowings	198.00	282.05	1.98	2.82

In 2019, there was no need for hedging the interest rate risk, hence no financial instruments were used for such purpose.

Counterparty Credit Risk management

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

33. RISK MANAGEMENT (continued)

The Company does not have any significant credit risk concentration exposure to any single counterparty or any group of counterparties having similar characteristics, besides the members of its Group. The Company's cash and cash equivalent is primarily invested in banks with rating at least BBB- (S&P and Fitch) and Baa3 (Moody's).

Liquidity risk management

For the purpose of assessing liquidity risk, budgeted operating and financial cash inflows and outflows are monitored and analyzed on a monthly basis in order to establish the expected net change in liquidity. This analysis provides the basis for financing decisions and capital commitments. To ensure that the Company remains solvent all the times and retains the necessary financial flexibility, liquidity reserves in form of committed credit lines are maintained. The maturity profile of the Company's financial liabilities is presented in Note 15.

34. EXPENSES GROUP AUDITOR

In 2019 the statutory auditor Ernst & Young Assurance Services SRL had a contractual statutory audit fee of EUR 586,920 (for the statutory audit of the standalone and consolidated annual financial statements of the Company and of its Romanian subsidiaries and associates). Services contracted with the statutory auditor other than audit services were of EUR 120,400, being other assurance services in relation to certain mandatory reports issued by the Company that are not prohibited by Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council.

Other EY network firms performed audit services for the OMV Petrom subsidiaries of EUR 147,900 and non-audit services that are not prohibited by Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council of EUR 2,405.

35. SUBSEQUENT EVENTS

On 8th of January 2020, OMV Petrom S.A. signed the agreement for the transfer of 40 marginal onshore oil and gas fields in Romania to Dacian Petroleum SRL. As at December 31, 2019, the related assets and liabilities were classified as held for sale (see Note 11).

On March 6, 2020, OPEC members and Russia failed to agree on a cut to oil production that would have responded to the sharp decrease in demand from the new coronavirus outbreak. Consequently, on March 8, 2020, oil prices dropped 30% after the market was opened, with Brent crude reaching USD 31 per barrel. OMV Petrom's view is that the supply surge, together with the massive uncertainty caused by the coronavirus outbreak will lead to a highly volatile market environment in the following months.

These financial statements, presented from page 11 to page 87, comprising statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, were approved on March 17, 2020.

Christina Verchere
Chief Executive Officer
President of the Executive Board

Alina Popa
Chief Financial Officer
Member of the Executive Board

Peter Zeilinger
Member of the Executive Board
Upstream

Franck Neel
Member of the Executive Board
Downstream Gas

Radu Căprău
Member of the Executive Board
Downstream Oil

Irina Dobre
Vice President Finance Department

Nicoleta Drumea
Head of Financial Reporting