

Annual Report 2019



OMV Petrom
The energy for a better life.

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OMV Petrom Group in figures

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

As per the legal requirements with reference to the disclosure of non-financial information, the company prepares and publishes a separate sustainability report, which includes the information required for the non-financial declaration, describing our sustainability initiatives. OMV Petrom's Sustainability Report for 2019 will be published by June 30, 2020.

The energy for a better life

Every single day, OMV Petrom makes people's lives better.

Every single day, OMV Petrom produces and supplies the energy for millions of people - for their comfort, their need for mobility, or their passion to travel.

Energy is part of our lives: fuels are the basis for mobility, gas is used for heating homes, and electricity powers the appliances that make our lives easier. Behind all this stands the energy of OMV Petrom.

OMV Petrom leverages on the industry's expertise in Romania, one of the first oil producing countries in the world. At the same time, the company successfully applies innovation and technical know-how to contribute to improving the quality of life.

We produce energy in all its forms: fuels, gas, and electricity.

Safely. Securely. Responsibly.

Today and tomorrow.



An integrated energy company

OMV Petrom is the largest energy company in Southeastern Europe. The company is active along the entire energy value chain: from exploration and production of oil and gas, to refining and fuels distribution, and further on to power generation and marketing of gas and power.

The company is organized into three operationally integrated business segments – Upstream, Downstream Oil, Downstream Gas. OMV Petrom's integrated business model provides financial resilience due to synergies and natural hedging against oil price volatility.

In Upstream, OMV Petrom is present in Romania and Kazakhstan. Our expertise varies from deep onshore and offshore exploration to mature fields and shallow offshore production. In 2019, our

portfolio consisted of 504 mn boe proved (1P) reserves and around 55 mn boe hydrocarbon production (thereof 3.6 mn tons of crude oil and natural gas liquids and 4.5 bn cubic meters of natural gas).

In Downstream Oil, we operate the Petrobrazi refinery, which has a capacity of 4.5 mn tons per year and can process OMV Petrom's entire Romanian equity crude oil. We are present on the oil products retail market through a network of 793 filling stations located in Romania, Moldova, Bulgaria, and Serbia. These filling stations are operated under two brands: Petrom and OMV. In 2019, the Downstream Oil segment recorded 5.5 mn tons of refined product sales, of which 2.8 mn tons were retail sales.

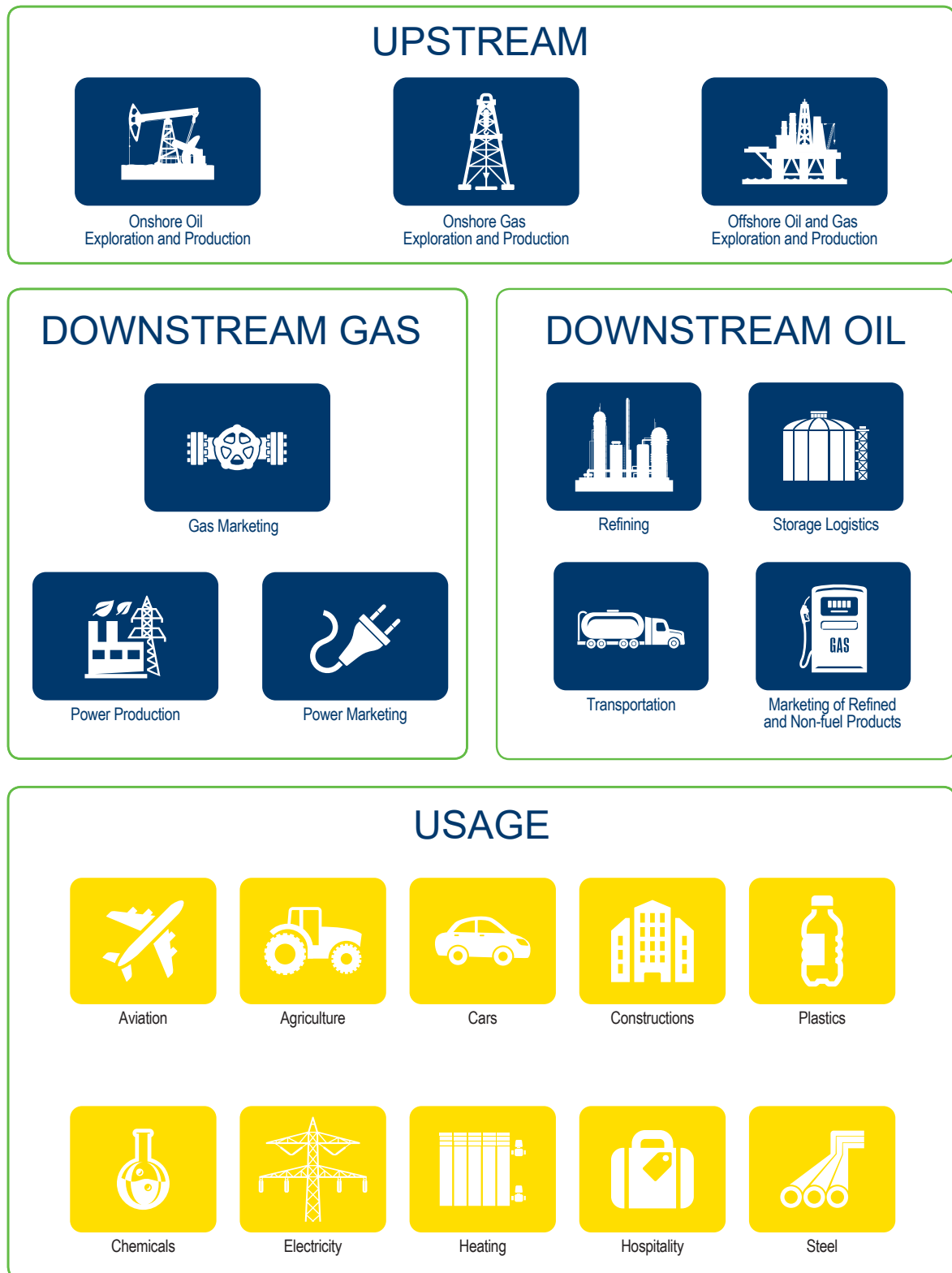
In Downstream Gas, we are engaged in electricity production, and gas and power sales. We operate the Brazi gas fired power plant, which has a capacity of 860 MW. In 2019, the Downstream Gas segment recorded gas sales volumes of 54.8 TWh (thereof 47.2 TWh to third parties), the equivalent of 5.2 bcm, and generated 3.4 TWh of electricity.

Every day, millions of people and thousands of businesses in Romania and in the region use our energy. OMV Petrom's fuels and energy products enable mobility, provide heat for living and working, and form the basis for a variety of plastics and high-end petrochemical products used daily.

OMV Petrom has a long tradition of sustainable and responsible behavior in delivering energy with the purpose of improving people's lives. Sustainability for OMV Petrom means creating long-term value for our customers and shareholders, while being an innovative company and an employer of choice. We conduct our business in a responsible way, respecting the environment and adding value to the communities in which we operate.



Our business model



Why invest in OMV Petrom

OMV Petrom is the largest energy company in Southeastern Europe and the largest Romanian company listed on the Bucharest Stock Exchange, with a market capitalization of EUR 5.3 bn at the end of 2019.

18.35% of OMV Petrom's capital is free float traded as shares on the Bucharest Stock Exchange and as GDRs on the London Stock Exchange.

The company has a leading position in the fuels and natural gas markets in Romania and an important contribution to the country's security of electricity supply.

OMV Petrom's success is based on its integrated business model, on operational excellence and on financial discipline, which are key in generating sustainable growth and attractive returns for our shareholders.

OMV Petrom also benefits from the expertise and international exposure of OMV, the majority shareholder with 51.01% of shares, an internationally active energy company based in Austria.

Since its privatization 15 years ago, OMV Petrom's story has been about transformation, restructuring and modernization. There has

been an enormous amount of change to get the best out of our assets, align ourselves with best practice and industry trends and be leaders in the way we develop our people.

During this period, OMV Petrom has provided a stable base for Romania's economy as a reliable energy supplier, a major employer, and a significant contributor to the state budget.

Creating value for its customers by enhancing their satisfaction and experience has been one of the company's prime objectives. Also, OMV Petrom considers its responsibilities to its employees and the environment to be a priority. To this end, the company has worked hard to lower the lost time injury rate and to consistently reduce its greenhouse gas emissions and water intensity.

The company confers great importance upon the principles of good corporate governance considering corporate governance a key element underpinning the sustainable growth of the business and also the enhancement of long-term value for shareholders. To remain competitive in a changing world, OMV Petrom constantly develops and updates its corporate governance practices, so that it can meet new demands and future opportunities.

After years of hard work that paid off, OMV Petrom has consolidated its position in the oil and gas market and has turned into an efficient business. We have come a long way during these years and our ambition is to go much further. We are proud of the strong and sound foundation we have built, which allows us to further create sustainable value for our stakeholders.

OMV Petrom is committed to deliver a competitive shareholder return throughout the business cycle, including paying a progressive dividend. We aim to increase our dividend each year or at least maintain it at the previous year's level, in line with the financial performance and investment needs, considering the long-term financial health of the company.



From sound performance to attractive returns

CLEAN CCS OPERATING RESULT ¹ (IN 2018: RON 4.8 bn)	CLEAN CCS NET INCOME ATTRIBUTABLE TO STOCKHOLDERS ^{1,2,3} (IN 2018: RON 3.7 bn)	NET INCOME ATTRIBUTABLE TO STOCKHOLDERS ² (IN 2018: RON 4.1 bn)
RON 4.6 bn	RON 3.9 bn	RON 3.6 bn
CASH FLOW FROM OPERATING ACTIVITIES (IN 2018: RON 7.4 bn)	CAPITAL EXPENDITURE (IN 2018: RON 4.3 bn)	TOTAL DIVIDENDS (IN 2018: RON 1.5 bn)
RON 6.8 bn	RON 4.2 bn	RON 1.8 bn ⁴
FREE CASH FLOW AFTER DIVIDENDS (IN 2018: RON 2.0 bn)	CLEAN CCS ROACE ^{1,3} (IN 2018: 14.3%)	DIVIDEND PER SHARE (IN 2018: RON: 0.027)
RON 1.7 bn	13.8%	RON 0.031 ⁴
PAYOUT RATIO (IN 2018: 38%)	DIVIDEND YIELD ⁵ (IN 2018: 9%)	TOTAL SHAREHOLDER RETURN ⁶ (IN 2018: 11.5%)
RON 48% ⁴	7%	RON 58.5%

All values refer to 2019, unless otherwise stated.

¹ Adjusted for exceptional, non-recurring items; Clean CCS (current cost of supply) figures exclude special items and inventory holding effects (CCS effects) resulting from Downstream Oil; starting with 2017, special items include temporary effects from commodity hedging (in order to mitigate Income Statement volatility);

² After deducting net result attributable to non-controlling interests;

³ Excludes additional special income from field divestment agreements in 2019, reflected in the financial result;

⁴ Dividend subject to GMS approval on April 27, 2020;

⁵ Calculated with the share prices at the end of the previous year;

⁶ Calculated with previous year dividend per share.

We are the largest private investor in Romania, the largest energy company, the biggest taxpayer and one of top 5 private employers in the country. We are aware of the important role we play in the economy and responsible behaviour is deeply embedded in our company's culture.

**WE ARE AN
IMPORTANT
CONTRIBUTOR
TO ROMANIA'S
SECURITY OF
ENERGY SUPPLY**

**> 40% OF FUELS & GAS
COMBINED NATIONAL
DEMAND ¹**

**KEY ROLE IN
BALANCING NATIONAL
ELECTRICITY SYSTEM**

JOBS

**WE EMPLOY OVER
12,000 PEOPLE**

15.3

**BILLION EURO
INVESTED DURING
2005-2019**

30.4

**BILLION EURO
TAXES AND
STATE BUDGET
CONTRIBUTIONS
PAID DURING
2005-2019**

> 66 **MILLION EURO IN SUSTAINABILITY
PROJECTS DURING 2007-2019**

**TECHNOLOGY IS EMBEDDED
IS OUR STRATEGY**

**SAFETY IS OUR
TOP PRIORITY**

**WE PROMOTE ENERGY
EFFICIENCY IN ROMANIA VIA
"EFFICIENT ROMANIA" PROGRAM**

¹ Fuels refer only to retail diesel and gasoline; OMV Petrom estimates based on the National Institute of Statistics and the Romanian Petroleum Association data.



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Statement of the Chief Executive Officer

Dear Shareholders,

As another eventful year has come to an end, it is time again to look back at our achievements and think about what awaits us in 2020. Most importantly, I am very grateful to all my Executive Board member colleagues and everybody at OMV Petrom for their great commitment and achievements during the year.

In 2019, we faced weaker international **market conditions** with volatile commodity prices and refining margins. Romania's security of energy supply was impacted by the geopolitical landscape, which led to higher gas imports and storage obligations, while interconnecting capacities remained limited. The local regulatory environment presented the additional challenge of a return to the regulated gas and power market.

From a wider perspective, the **climate change** debate has gained momentum. The European Green Deal objective to transform Europe into the first climate-neutral continent by 2050 implies both challenges and opportunities. Romania needs to produce more and cleaner energy in the next decades, as the domestic energy demand is expected to increase, and economic prosperity outpaces improved energy efficiency. In this context, we believe natural gas will play a key role in the transition to a lower-carbon energy system, which makes gas projects such as Neptun Deep vital for Romania's energy security of supply and carbon footprint reduction.

We clearly embrace our role in this transition towards a **cleaner future** and have set the target to reduce carbon intensity of our operations by 27% vs. 2010 until 2025. In this respect, we continued our efforts to reduce greenhouse gas emissions¹ in all business segments in 2019, achieving a reduction by 22% vs. 2010. In addition, in partnership with the Romanian Energy Policy Group, we launched the "Romania Eficienta" (Efficient Romania) program, aiming to promote energy efficiency measures at national level.

In 2019, we made further progress in executing our **strategy**. Neptun Deep remains the most



important growth project. Moving the project further to FID would underpin the security of supply in Romania and in the region. Moreover, we continued to assess growth opportunities in selected areas of interest and we made a first step towards expanding our presence in the deepwater area of the Bulgarian Black Sea. In Downstream Oil, we completed the Polyfuel project that enables us to increase refinery flexibility, and extended the pilot phase of the Auchan partnership with two more locations, targeting further expansion of the partnership. In Downstream Gas, our long-term strategic goals remain the consolidation of our leading position in the Romanian gas market and being an important player in the Romanian electricity market. This implies the diversification of gas supply sources, which is crucial in the context of the equity gas production decline, and for maintaining the focus on the end-customer portfolio, including further expansion towards small and medium-sized enterprises.

In 2019, the demand for our products was mixed, with rising demand for fuels and weaker demand for gas and power. In this market context, our **2019 yoy performance** was strong. Clean CCS net income went up by 4% to RON 3.9 bn and the operating cash flow reached RON 6.8 bn. Our CAPEX was relatively stable yoy. In addition, we also paid higher dividends of RON 1.5 bn for the financial year 2018, an increase of 35% compared

¹ Details will be available in the OMV Petrom's Sustainability Report for 2019.

Climate change debate
gained momentum

Target of reducing
carbon intensity by
27% vs. 2010 until
2025

to the previous year. As a result, our free cash flow after dividends reached RON 1.7 bn. Our balance sheet remained solid, with cash reserves of RON 7 bn at the end of 2019, which puts us in a strong position to finance our strategic projects, both organic and inorganic. In addition, we are well equipped to offer an attractive dividend to our shareholders going forward, while remaining financially robust in a more challenging price environment.

Looking at each business segment, in **Upstream**, we made progress towards simplifying our footprint, completed another successful shallow offshore drilling campaign and initiated seismic acquisition in the VIII-Urziceni East block.

In **Downstream Oil**, we improved our operational performance in refining and increased our sales volumes, despite a weaker refining margin environment.

In **Downstream Gas** we were able to supply multiple gas sales channels, significantly increasing our gas sales volumes through enhanced trading activity. The gas business compensated the weaker power business performance, which was caused by deteriorated market conditions.

OMV Petrom's **share price** finished the year at RON 0.447, up by 49.5% yoy and outperformed the BET index by 14.4 percentage points. The total shareholder return (including the dividend of RON 0.027/share for the 2018 financial year) was 58.5% in 2019. In turn, the liquidity of shares was lower in 2019, with an average daily traded value at RON 3.6 mn, down by 12.2% yoy.

Based on the results and strong free cash flow, the Executive Board proposed a gross dividend of RON 0.031/share for the 2019 financial year, up by 15% from the previous year and representing a 48% payout ratio. The proposal was approved by the Supervisory Board and is subject to further approval by the GMS on April 27, 2020.

Looking ahead at 2020, we aim to maintain the annual production decline below 5% yoy, excluding

portfolio optimization. Also, we remain strongly committed to developing our key growth project Neptun Deep. While we welcome the acceleration of the return to a liberalized market brought by the GEO 1/2020, the progress of Neptun Deep is subject to the upcoming implementation of amendments to the Offshore Law. In terms of CAPEX (including E&A but excluding acquisitions), we estimate RON 4.2 bn for 2020, stable yoy. In terms of ongoing transactions, we expect to close the acquisition of the Han Asparuh offshore stake in Bulgaria by mid-2020 and to finalize the transfer of the 40 marginal onshore fields in Romania in the second part of the year. We remain committed to achieving a positive free cash flow after dividends, maintaining a strong balance sheet, and continuing to offer an attractive progressive dividend to our shareholders going forward. All these initiatives are vital in the current energy transition period.

Let me take this opportunity to **thank all** of our shareholders, other stakeholders and employees for your trust and continuing support over the past year and ensure you that we make our greatest effort to enhance both OMV Petrom's value and the overall economic and social contribution to the countries in which we operate.



Christina Verchere

We welcome changes brought by GEO 1/2020, but our Neptun project depends on amendments to the Offshore Law

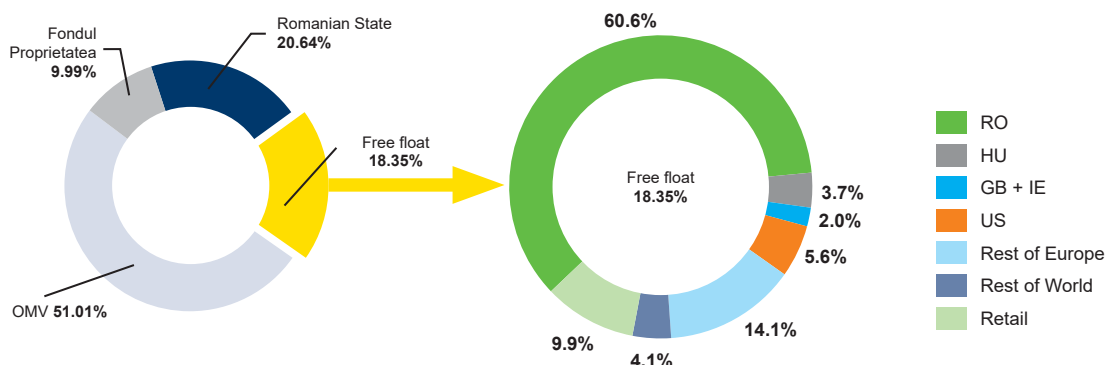
Total shareholder return in 2019 at 58.5%; 2019 dividend proposal up 15% yoy

OMV Petrom on the capital markets

Shareholder structure

At the end of 2019, OMV Petrom S.A. had the following shareholding structure: 51.0105% – OMV Aktiengesellschaft, 20.6389% – Romanian State (via the Ministry of Energy ⁱⁱ), and 9.9985% – Fondul Proprietatea S.A. The remaining 18.3521% represents the free float, traded as shares within the Premium category of the Bucharest Stock Exchange (BSE) and as GDRs

within the Standard category on the main market of the London Stock Exchange (LSE). At the end of 2019, 466 legal entities from Romania and abroad held 90.1% of the free float shares or 16.5% of OMV Petrom share capital, with the remainder (9.9% of the free float or 1.9% of capital) being held by around 455,000 private individuals.



Our free float has a lower share of retail investors and a higher share of Romanian institutional shareholders

An analysis of our shareholder structure, as at the end of 2019, shows that 60.6% of the free float was held by Romanian institutional shareholders (2018: 52.6%), 9.9% by retail investors (2018: 10.5%), 3.7% were Hungarian institutional investors (2018: 5.7%), 2.0% were from the UK and Ireland (2018: 4.1%), 5.6% were from the USA (GDR component included in this category) (2018: 5.9%), 14.1% were from other European countries (2018: 16.6%), and 4.1% were from rest of the world (2018: 4.6%).

Shares

The share price ranged between RON 0.2820 and RON 0.4470

The evolution of OMV Petrom share price followed a clear upward trend through 2019, punctuated by periods of increased volatility and turbulence on the local and international capital markets. The year started on a pessimistic note in the local market, following the December 2018 Government Emergency Ordinance (GEO) no. 114, which affected multiple sectors, including energy. Therefore, OMV Petrom's **lowest share price** for trades on the Regular market was RON 0.2820, recorded on January 14, 2019. With the

GEO 19/2019 that amended some of the GEO 114/2018 provisions, OMV Petrom share price started to recover, witnessing mostly an upward trend by year end, with a few exceptions, triggered by exogenous factors such as: dynamics of the international oil markets, geopolitical and trade tensions on the global scene, as well as political and regulatory uncertainties on the Romanian market.

On the **ex-dividend** date May 22, 2019, the share price corrected by 5.53%, less than the equivalent 2018 dividend per share of RON 0.027. Subsequently, the share price recovered quickly, ending the month 1.2% above the share price on May 21 and up 0.5% mom, while the BET index appreciated by 0.6% mom. The end-of-May rally was likely fueled by positive investor sentiment around the European Parliamentary elections results in Romania, alongside discussions of a potential withdrawal of GEO 114/2018. Other sizeable variations of the OMV Petrom share price were recorded around media news of a potential sale of OMV Petrom shares from the

ⁱⁱ The shares belonging to the Romanian State were transferred from the account of the Romanian State through the Ministry of Energy to the account of the Romanian State through the Ministry of Economy, Energy and Business Environment, according to a notification from the Romanian Central Depository dated 11 February 2020.

Romanian State's stake (June – July 2019) and around speculations of changes in Neptun Deep joint venture structure (July 2019).

The 2019 **average OMV Petrom share price** for trades on the Regular market was RON 0.3886, 16% higher than the 2018 figure of RON 0.3351, while the average dated Brent oil price increase was of 36% yoy. The **highest daily traded volume** of 173.6 mn shares was registered on November 20. The **average daily traded volume**, including Deal trades, was 9.2 mn shares (2018: 11.8 mn), down 22% yoy, while the **average daily traded value** was RON 3.57 mn, down 12.2% yoy. The 2019 average traded value in EUR terms was EUR 0.75 mn.

Domestic indices followed a sustained ascending trend in 2019, especially starting April, after the

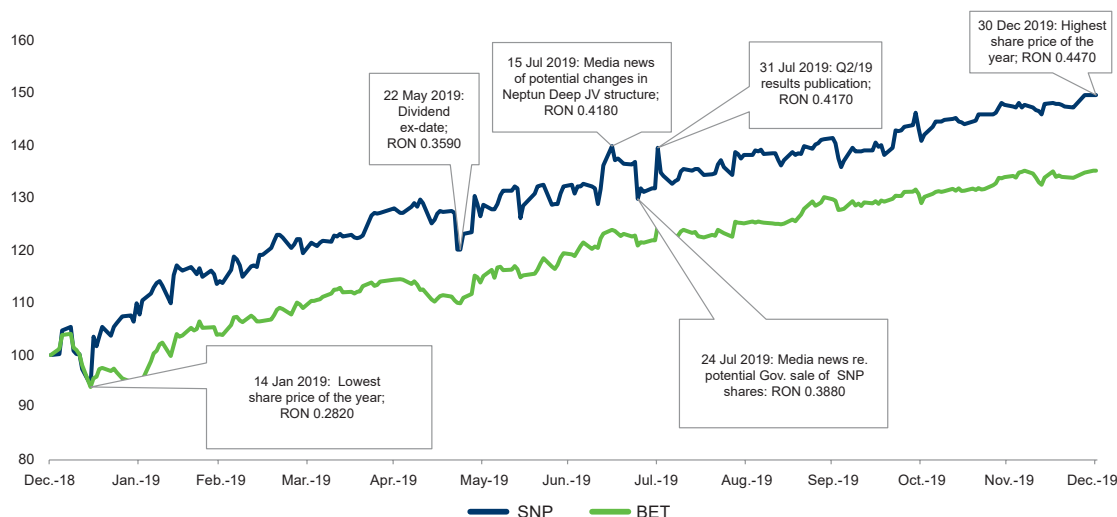
sharp decline registered at the end of 2018 and a higher volatility in January 2019. Resilient to the short-term fluctuations, the **BET index** closed the year 35% above the closing value of 2018.

The **BET-TR (total return BET)** appreciated by 47% yoy in 2019. The **BET-NG index** (comprising stocks in the energy and utilities sectors) in which OMV Petrom has a weight of around 30%, increased by 30% yoy. The **BET-BK index** (designed as a benchmark for asset managers and institutional investors) also increased by 30% yoy.

Outperforming the BET index by 14.4 percentage points, the OMV Petrom share ended the last trading session of the year on December 30 **at the maximum yearly price of RON 0.4470**, 49% higher yoy. The **total shareholder return** (including the dividend of RON 0.027/share for the 2018 financial year) **was 59%**.

OMV Petrom share outperformed the BET index by 14.4 pp

OMV Petrom share price (SNP) and BET performance in 2019
31 December 2018 = 100



OMV Petrom S.A. **market capitalization** at the end of 2019 was RON 25.3 bn or EUR 5.3 bn, accounting for around 14% of the total market capitalization of the companies listed on the

BSE and for around 27% of the capitalization of the BET index (representing the 16 most liquid blue-chip stocks listed on the BSE).

OMV Petrom S.A. share symbols

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

At a glance

	2019	2018	Δ (%)
Number of shares (mn)	56,644.1	56,644.1	0
Market capitalization (RON mn) ¹	25,320	16,937	50
Market capitalization (EUR mn) ¹	5,298	3,631	46
Year's high (RON)	0.4470	0.3955	13
Year's low (RON)	0.2820	0.2800	1
Year end (RON)	0.4470	0.2990	50
EPS (RON)	0.0642	0.0720	(11)
Dividend per share (RON)	0.031 ²	0.027	15
Dividend yield (%) ¹	7.0	9.0	(22)
Payout ratio (%) ³	48	38	26

¹ Calculated based on the closing share price and RON/EUR exchange rate as of the last trading day of the respective year;

² Dividend subject to GMS approval on April 27, 2020;

³ Computed based on the Group's net profit attributable to stockholders of the parent.

Global Depositary Receipts (GDR)

The **GDR price on the last trading day** in 2019 was **USD 15.0**, translating into a 32.7% yoy increase. In 2019, the GDR price ranged between a USD 10.7 **low** (on January 21) and a USD 15.0 **high** (first reached on November 4).

In total, 64,492 GDRs were traded in 2019 (2018: 751,171), while the **daily average number of GDRs** was 254 (2018: 2,969).

The **highest monthly trading volume and value** were reached in November (52,905 GDRs, worth of USD 0.79 mn), while the lowest in March, October and December (no trades). **The total value of GDRs traded** in 2019 was USD 0.95 mn (2018: USD 9.52 mn).

No GDRs were issued and 55,142 GDRs were cancelled in 2019. The **number of GDRs**

outstanding at the end of each month ranged between 237,922 (in January) and **182,780 (in December)**. The latter figure represents 7.3% of the GDRs issued in the October 2016 Secondary Public Offering and 0.26% of the free float as of end-2019.

In 2019, most of the indices on both the European and US exchanges had an upward trend: the DAX increased by 25.5%, FTSE 100 by 11.5%, STOXX Europe 600 by 23.2%, while the FTSE Global Energy Index, comprising the world's largest oil and gas companies, increased by 13.0%. Dow Jones Industrial average increased by 22.2% yoy, while STOXX Europe 600/Oil & Gas closed 6.0% higher yoy.

Value of GDRs traded significantly lower yoy

OMV Petrom S.A. GDR symbols

London Stock Exchange Regulation S	PETB
ISIN Regulation S GDR	US67102R3049
London Stock Exchange Rule 144A	PETR
ISIN Rule 144A GDR	US67102R2058

Own shares

At the end of 2019, OMV Petrom S.A. held a total number of 204,776 own shares, representing 0.0004% of issued share capital. In 2019, OMV Petrom did not buy back or cancel any Treasury shares.

Investor Relations activities

During 2019, the Company's top management and the Investor Relations (IR) team had an active presence on the local and foreign capital markets, via attending analyst and investor conferences and non-deal roadshows, locally as well as across Europe and North America. The high level of accessibility for investors and analysts was maintained also through regularly organized meetings and conference calls.

The quarterly reporting package provides a comprehensive resource for analysts and investors, including, among others, a **Trading Update of Key Performance Indicators (KPIs)** to provide early guidance on OMV Petrom's key trends. OMV Petrom continued publishing a **Factsheet** as well as the Questions and Answers section of the quarterly conference calls on its corporate website: www.omvpetrom.com.

In the interest of transparency and timeliness, all company reports, releases, and important information for shareholders, analysts, and investors are promptly disseminated on the BSE and LSE websites and also posted in the Investors section on the Company's website.

Analyst coverage of OMV Petrom shares

The research coverage by sell-side analysts marginally increased. PKO BP Securities initiated coverage and no analyst ceased coverage on OMV Petrom during 2019.

At the end of 2019, **OMV Petrom stock was covered by nine analysts (2018: eight)**, of whom five (or 55%) had "Buy" or equivalent ratings (end of 2018: 75%), three (or 33%) had "Hold" or equivalent ratings (end of 2018: 25%) and one (or 11%) had a Sell rating (there were no analysts with Sell ratings at end of 2018). **The average target price (TP)** according to analyst consensus estimates was RON 0.4620 (translating into a 3.5% upside potential compared to the share price of RON 0.4470 on the last day of trading in the year), which is consistent to a Hold rating. This compares to an average TP of RON 0.4370 as at end of 2018.

Average target price
at RON 0.4620, up
6% yoy

Dividends

The Supervisory Board has approved the Executive Board's proposal to the Ordinary GMS to distribute a gross dividend per share of RON 0.031 for the year 2019. This translates into a total cash outflow of RON 1,756 mn, a payout ratio of 48% of the Group's 2019 net profit attributable to stockholders of the parent (2018: 38%), or 54% of the Group's 2019 free cash flow (2018: 49%), which is in line with the current dividend policy of a progressive dividend. The 2019 dividend proposal is subject to the approval of the forthcoming Ordinary GMS on April 27, 2020.

2019 dividend proposal
implies a 48% payout
ratio

Dividend policy

OMV Petrom is committed to deliver a competitive shareholder return throughout the business cycle, including paying a progressive dividend. We aim to increase our dividend each year or at least maintain it at the previous year's level, in line with the financial performance and investment needs, considering the long-term financial health of the Company.

New trends in the ongoing energy transition to result in a changed energy landscape

The global energy landscape remains very dynamic – the constantly increasing world population is demanding more energy with an increasing urgency to address the challenges posed by the climate change. The world population is set to reach almost 10 bn by 2050 ⁱⁱⁱ, while the global energy demand is set to increase by 24% by 2040 ^{iv}. Oil and gas are forecasted to continue to meet more than half of the demand, and to remain the backbone of global energy supply. However, there are new trends emerging through the ongoing energy transition, such as the strong advance of renewables, an increasing demand for alternative fuels in transport, particularly electric and gas mobility, the mounting pressure for increasing energy efficiency while simultaneously reducing greenhouse gas emissions, and the disruption caused by the rise of digital innovation in all areas. Some of these trends may result in significant changes to the power generation mix, new mobility solutions, and a more active participation of consumers in the energy system.

The new energy macro-trends, as well as new regulations, have already started to impact

developed markets such as Western Europe. The Romanian energy landscape is facing similar challenges to the global and European macro trends, albeit at a slower pace. In order to address the new consumption patterns and meet the increasing demand, OMV Petrom remains committed to continue delivering the energy required for a better life for millions of people in a reliable and responsible way.

During the three years since publishing our 2021+ Strategy, we have worked hard to achieve our objectives. Going forward, we continue to pursue our three strategic directions: **improving the competitiveness of our existing portfolio, developing new opportunities for growth, and expanding our regional footprint**. Supported by our strategic enablers – People and Organizational Culture, Technology and Innovation, and Sustainability – we are constantly developing our business to become more sustainable, efficient, and innovative, to deliver on our promises to our customers and business partners, as well as to ensure profitability and offer an attractive shareholder return.

OMV Petrom achievements on strategic objectives

2021+ Strategic Objectives



Upstream

- ▶ Exploit full potential of Romanian opportunities
- ▶ Improve competitiveness
- ▶ Mature Neptun resources
- ▶ Develop opportunities for regional diversification



DS Oil

- ▶ Explore petrochemicals growth opportunities
- ▶ Ensure reliable operations at competitive costs
- ▶ Secure strong retail position via dual brand strategy
- ▶ Focus on customer centric organization, digitalization



DS Gas

- ▶ Integrated gas and power business model
- ▶ Develop origination and trading
- ▶ Become regional gas player
- ▶ Provide integrated energy solutions

2019 Achievements



- ✓ <11 USD/boe stabilized production cost despite production decline
- ✓ Neptun Deep assessment of commercial and economic viability continued
- ✓ 28 marginal fields divested, 40 are being transferred
- ✓ Simplified footprint, 7 producing assets
- ✓ 70% automated wells and modernized per automated facilities
- ✓ Contract signed to enter offshore Bulgaria

- ✓ <8% Fuels & Losses; 97% refinery utilization rate
- ✓ Polyfuel plant in operation
- ✓ Coker unit closed blowdown system implemented
- ✓ Fully modernized fuel storage network
- ✓ Memorandum of Understanding signed for partnership extension with Auchan
- ✓ 5.3 mn l throughput per filling station in Romania

- ✓ Strengthened leading position on the Romanian gas market
- ✓ Regional operations in neighboring countries
- ✓ 55 TWh gas sales volumes in 2019
- ✓ 3rd party gas to extend supply portfolio
- ✓ 3.4 TWh Brazil power plant net electrical output in 2019

People & Organizational Culture



Technology & Innovation



Sustainability



ⁱⁱⁱ United Nations, World Population Prospects 2019: Highlights;

^{iv} International Energy Agency World Energy Outlook 2019, Stated Energy Policy Scenario.

We have constantly worked towards maximizing operational efficiency and the competitiveness of our portfolio, fully leveraging our integrated business model. This proven successful concept, alongside our hard-working and dedicated people, safeguard our leading market position in the retail and gas businesses.

Great achievements have been accomplished in all divisions in 2019.

In **Upstream**, the implementation of the 2021 strategic competitiveness initiatives has led to a more resilient portfolio. Production costs have stabilized at 11 USD per boe despite the natural production decline. By divesting a total of 28 marginal fields between 2017 and 2019 and with signing the agreement to transfer additional 40 fields in 2020, the portfolio optimization program continues, aiming to streamline operations and focus on the most profitable fields.

The improvement of organizational performance has been a continuous process within the Upstream division over the past years. During that period, we optimized our operations through modernization and automation and we simplified our organizational structure by reducing hierarchical layers and making the decision process faster. As a result of simplifying the structure and of achieving operational synergies, we are now a leaner organization with seven producing assets. Going forward, we aim to develop an even stronger, leaner and more stable organization, which is built on the efficiency and the effectiveness of the processes to sustain the Upstream long-term strategy.

Near Field and Enhanced Recovery opportunities with the potential to add significant reserves by 2025 contribute to the increase of the ultimate recovery factors. The first phase of the program, that commenced in 2019, targets around 30 mn boe. The Near Field opportunities target formations deeper than 3,000 meters with the aim to put the volumes fast into production, using an infrastructure led appraisal approach, while leveraging the available capacity. In addition, the full potential of our mature fields will be

achieved by using Enhanced/ Improved Oil Recovery techniques to extend their lifetime. We are working to develop a consistent process to identify and evaluate the right candidates and the best methodology to be applied on a value basis approach. We are currently running one polymer injection pilot project, which aims to contribute to the improvement of the recovery factor of our fields, therefore continuing to be committed to our targets for ultimate recovery factors of 28% for oil and 55% for gas.

The operational excellence programs have continued in 2019. As a result, Mean Time Between Failures (MTBF) reached 737 days in 2019 and we remain committed to our 2021 and 2025 targets of 800 and 900 days, respectively. Moreover, our priorities in this area are the following: shortening operations execution time, focusing on particular well issues supported by root cause analysis as well as identifying new technologies that will improve MTBF and lead to production cost reduction.

By the end of 2019, approximately 70% of our active wells portfolio and our production surface facilities have been modernized and automated. Our target is to reach an automation level of around 90% for both wells and facilities by 2025.

In **Downstream Oil**, we are proud of our competitive refining business in the region which is supported by our operational excellence resulting in a 97% utilization rate and a Fuel and Loss ratio below 8% at the end of 2019.

Investments to reduce the environmental impact have been made at the Petrobrazi refinery. One example is the EUR 46 mn investment at the Coker unit for a closed blowdown system. The Coker unit is an important part in the refining process. This is where heavy oil components from the other units are redirected and where the final oil transformation process takes place. The best available technologies for the recovery of hydrocarbon vapors were implemented at the Coker unit, where the 20-year-old system was replaced with a modern, closed blowdown system. The new system ensures the complete elimination

MTBF at 737 days
in 2019 vs. 900 days
target for 2025

EUR 46 mn investment
at the Petrobrazi
refinery to reduce
environmental impact

Completed fuel storage
network optimization

of any potential volatile organic compounds' emissions, thus supporting the reduction of the environmental impact.

With regards to the fuel storage network, we have successfully completed the infrastructure optimization program which required investments of around EUR 145 mn over the last twelve years. Through this program, we have managed to streamline our operations into six large terminals that cover the entire country and which now ensure a higher efficiency level of supply. Three new terminals were built – in Jilava, Brazi and Işalnița, and the terminals at Bacău, Cluj and Arad were modernized. Together, they have an aggregated capacity of 119,000 cubic meters of fuels. The last of the six depots was inaugurated on the ring road of Arad at the end of May 2019. Through an investment of approximately EUR 19 mn, we have completed the modernization of the fuel terminal in less than 18 months. Arad is the largest terminal in Western Romania and the second largest in our network, covering an area of 50,000 square meters. It is also one of the most modern and safest terminals for oil products in Europe. State-of-the-art technologies at international level have been implemented here to increase efficiency, simplify fuels' management and delivery, as well as to ensure safe working conditions for our employees.

More than 50 TWh
average gas sales
volumes over the last
three years

In **Downstream Gas**, consolidating our leading position in the Romanian gas market remains our strategic long-term goal, while we continue to be an important player in the Romanian electricity market. As such, in 2019, we achieved 54.8 TWh gas sales volumes, implying an average of more than 50 TWh over the last three years. Net electrical output was 3.4 TWh in 2019, covering 6% of Romania's power generation. We have diversified our gas supply sources, purchasing additional gas volumes to complement our equity production, with the aim to preserve, and further expand our customer portfolio. We have maintained the focus on sales to end-customers, supplying large industrial clients while also expanding towards smaller volumes consumers (the combined number of small and medium customers for gas and power has increased by 12% vs. 2018).

Regarding the second strategic pillar – **developing growth options** – the assessment of the commercial and economic viability of the **Neptun Deep project** continued in 2019. All prerequisites – including the regulatory framework, fiscal stability, competitive terms, liberalized gas market, and key infrastructure – have to be in place to enable the development of any gas investment of Neptun Deep scale. If it becomes commercially viable, the Neptun Deep project will be a key contributor to our RRR target.

In Downstream Oil, after two years of project related works, the Polyfuel plant successfully became operational at the Petrobrazi refinery following an investment of circa EUR 65 mn. By using an innovative and environmentally friendly technology, approximately 90,000 tons of high octane gasoline and diesel, or the equivalent of 1.8 mn car refills, are obtained through the reconversion of liquefied petroleum gas (LPG) and low-grade light gasoline. This unit is the third of its kind worldwide and the first to convert low-grade light gasoline, as well, not just LPG. The result of this reconversion is the value increase of the production mix, due to the larger share of gasoline and diesel. Furthermore, this process enhances the flexibility of the refinery and can be adapted to what is more in demand on the market: gasoline or diesel.

Furthermore, we are currently evaluating opportunities for petrochemicals in the Petrobrazi refinery, which implies not only an opportunity to increase our profitability, but also allows a sustainable product mix in the long term.

In retail, we have surpassed the 5 mn liters throughput per filling station in Romania, an outstanding result that gives us the confidence that we have successfully delivered on customers' evolving and more sophisticated needs. We look forward to 2020 and beyond, to secure our position in the market and to continue to differentiate from our competitors with the two retail brands: Petrom and OMV.

In February 2019, we have signed a Memorandum of Understanding to extend the partnership with Auchan Retail Romania. The cooperation was

initiated in 2017 and, during a pilot phase, several MyAuchan convenience stores were opened at Petrom branded filling stations, both in urban and rural areas in Romania. The pilot phase aimed to test the business model and to allow both partners to evaluate the potential of this partnership, which amounted to 17 convenience stores by the end of 2019. MyAuchan stores at Petrom filling stations feature a wide range of up to 3,000 products, from high-quality food, including ready meals, fresh coffee, fresh products (fruit and vegetables, bakery, dairy) and groceries, to non-food products, such as cosmetics, detergents, baby products, as well as car accessories. Thus, Petrom's best value for money proposition in fuels has been completed with Auchan's offering of 24/7, convenient, accessible goods, available while customers fuel their cars.

For the OMV brand, in 2019 we continued to strengthen the unique value proposition of OMV MaxxMotion Performance Fuels. The proprietary formula containing unique cleaning molecules has been proven to prolong the life of the engine, as demonstrated by the consumer product test initiated in the summer of 2019 in partnership with the Technical University from Cluj-Napoca. In addition, an increased percentage of biofuels in fuels has provided additional environmental benefits. As to the non-fuels offer, we have continued to capitalize on the VIVA proposition with our innovative, gourmet recipes, tailor-made for people on the go, and the unique serving of VIVA Coffee.

In Upstream, the assessment of **regional expansion** opportunities in the areas of interest continued in 2019. We aim to expand our presence in the Black Sea region by entering Bulgaria. In December 2019, OMV Petrom signed a contract to acquire OMV Offshore Bulgaria GmbH, which currently holds a 30% stake in the Han Asparuh exploration license in Bulgaria through a joint venture led by Total as operator. Closing of the transaction is subject to certain conditions precedent and is expected to take place by mid-2020. The deepwater offshore Han Asparuh exploration block is located in the western part of the Black Sea. The first exploration well, Polshkov-1, was drilled by the joint venture

in 2016. This was followed by the drilling of two further exploration wells in 2017 (Rubin 1) and 2018 (Melnik 1). Geological and geophysical studies are being performed with the aim to identify additional exploration drilling targets.

In Downstream Gas, we pursue our strategic direction of becoming a regional player. This hinges on the Final Investment Decision for the Neptun Deep project. Meanwhile, we aim to enrich our sales and supply portfolio in the region in order to offset the decline in equity gas volumes, while at the same time mitigating the Romanian market concentration risk, expanding our operations into the neighboring countries (subject to the network and interconnectors development).

The progress of our strategy implementation is measured by the financial targets we have defined. In 2019, we spent RON 4.2 bn on CAPEX, distributed RON 1.5 bn in dividends to our shareholders, recorded a RON 1.7 bn free cash flow after dividends, and achieved a 13.8% Clean CCS ROACE.

The three strategic enablers – **People and Organizational Culture, Technology and Innovation, and Sustainability** – support the implementation of the strategy and ensure the long-term success of the company.

People are at the core of our business. Our People strategy is focused on inspiring leadership, performance-focused and principle-led behavior, organizational agility and building a great workplace (learning, development, benefits, diversity).

The strategic enabler Technology and Innovation aims to make our company more efficient and agile through more innovation and increased digital dexterity. The Upstream and Downstream divisions are focusing on introducing digital technologies to modernize their business. However, technological change will not be successful without our people embracing the new ways of thinking and acting. Agile ways of working and a set of new methodologies like Design Thinking and Rapid Prototyping will strongly support this new mindset.

Becoming a regional gas player hinges on FID for the Neptun Deep project

Safety is our number
one priority under the
Sustainability enabler

Under the Sustainability enabler, safety is the number one priority. We operate in a hazardous industry, in which risk comes with the job. However, we believe that all accidents are preventable. Although not easy to achieve, every job can be done safely. We are committed to putting safety first in the pursuit of our financial and operational objectives.

We have pledged to do business sustainably and in a way that benefits the economy, the environment, and the society as a whole. We will

continue to uphold this commitment as it is the only way to protect and preserve security, living standards, and well-being. We are committed to acting on climate change mitigation and responsible resource management. We will also focus on improving the carbon efficiency of our operations and product portfolio with the aid of new technologies. Moreover, we are aware that we are a corporate citizen of this country, and as such, we aim to be a responsible partner for our stakeholders, mainly for the communities where we operate.

Business environment

Global macroeconomic and sector trends

The global economy grew by 2.9% in 2019, its lowest pace in a decade. The slowdown in economic activity affected equally major economies, like the US and the Euro area, and developing countries, such as India, Russia or Mexico. One common factor across the weakening growth picture was the deceleration in manufacturing and global trade, the latter advancing by a meagre 1% compared to 3.7% a year before. Higher tariffs and ongoing uncertainties regarding trade policies held back investment and the demand for capital goods. At the same time, the automobile industry, which accounts for almost 6% of global output, went further into recession, with sales dropping more than 4% in 2019, owing to disruptions from new emission standards in Europe and falling demand in both China and India. The US economy grew by 2.3% with economic activity moderating as a result of weak investment and the tapering off effect of the 2018 tax reform. In Japan, growth stood at 1% despite weak manufacturing performance. The Japanese government announced a large fiscal package, equivalent to 2.4% of GDP, to counteract the downside risks to economic activity and to partially offset the negative effects on demand of the consumption tax increase. China's economic growth slowed down to 6%, as the domestic fiscal stimulus managed to mitigate some of the negative economic impact caused by the imposition of US tariffs.

In contrast to the weak manufacturing and trade performance, the services sector remained strong across most advanced economies, keeping wage growth resilient. The Euro area growth decelerated to 1.2%, from 1.9% a year ago, with all major Euro zone economies slowing down, partly influenced by Britain's decision to leave the European Union. Germany's economy advanced by 0.5%, impacted strongly by the fall in manufacturing output. The French economy grew by 1.3% supported by the strength of its services sector and domestic consumption, while the Italian economy increased by a meagre 0.2%, adversely affected by global trade tensions. However, despite the slowdown in economic growth, Euro area labor markets remained resilient, with employment rising and income levels continuing to aid consumer

spending. Financial conditions remained broadly accommodative across both advanced and emerging economies, supported by interest rate cuts and renewed stimulus packages by the main global central banks.

Consumer price inflation in advanced economies slowed down to 1.4% as economic activity levels scaled back. Core inflation, which excludes volatile food and energy items, dropped below target in most advanced economies. Notwithstanding the increase in import tariffs in several major economies, cost pressures remained largely subdued. Neither cost pressures nor the increase in wages had a strong pass through effect to core consumer price inflation. Eurozone headline inflation stood at 1.3%, with energy inflation rebounding from negative rates displayed in the summer and turning positive again at the end of the year.

Total global oil demand rose by 1% yoy to 100.3 mn bbl/d in 2019. The largest increase came from Asia, almost 0.7 mn bbl/d, while Americas and the Middle East accounted for 0.1 mn bbl/d each. Oil demand growth in Europe remained once again stagnant, for the second year in a row. In OECD countries oil demand fell by 0.2%, driven by Europe and Asia with annual decreases of -0.5% and -1.8% respectively. In contrast, oil demand in OECD Americas rose by 0.4% or 0.1 mn bbl/d. Oil demand in non-OECD countries displayed a solid growth, rising by 2.1%, or 1.1 mn bbl/d, driven largely by China and India.

Global oil supply remained virtually stagnant in 2019, as OPEC countries effectively reduced their output by 1.93 mn bbl/d, a 6.1% drop compared to 2018, to offset production increases elsewhere. In July, OPEC and Russia agreed to extend their crude oil production cuts for an additional nine months, until March 2020. OPEC's efforts to curtail oil production, mainly in response to increased US shale output, managed to diminish, to some extent, the existing global oversupply. Overall, however, the net oil production in OECD countries rose by 1.56 mn bbl/d, propelled by an increase of 1.6 mn bbl/d coming from the US alone.

Oil was trading in a relatively narrow price range in 2019, between USD 55-70/bbl, despite episodes

Global oil demand
up 1% yoy

Average Brent-Urals spread narrowed by USD 1.18/bbl

which saw an increase in geopolitical uncertainty. Early in the year, oil prices were pushed higher by production losses in Venezuela and increased tensions between the US and Iran. Later on, several attacks on Saudi Arabia oil infrastructure raised the prospect of further tensions in the Strait of Hormuz, which transits around 20% of global oil trade, pushing up both oil prices and insurance costs. The average Brent oil price fell in 2019 by 10% yoy to USD 64.21/bbl, while the average Urals price was USD 64.19/bbl, 8.5% lower compared to 2018. The average spread between Brent and Urals oil prices narrowed to USD 0.02/bbl from USD 1.2/bbl a year before.

Romania - macroeconomic and sector trends

Romania's GDP growth at a still robust 4.1%

According to preliminary official estimates, Romania's economy grew by 4.1% in 2019, marginally lower than a year before. Growth remained robust, but for a second consecutive year fell short of the government's beginning of the year forecast of 5.5%, by quite a large margin. Private consumption continued to be the main engine of growth, supported by a strong increase in wages across all sectors of the economy. Average economy annual net real wage advanced strongly, going up by almost 15%, as a scarcity of qualified labor force and the increase in minimum wages maintained upward pressures on wage growth. There were discrepancies in wage growth rates across various sectors, with the traded sector having to respond to competitive pressures and thus registering lower wage growth than that recorded in the non-traded public sector. As a direct consequence of the increase in households' purchasing power, annual retail sales went up by a solid 7.1%, higher than the 5.6% rate recorded in 2018. Fuel retail sales were also buoyant, increasing by 6.5% compared to 2018. But the new car registrations data sent more mixed signals. The number of registered cars for passenger transport rose in 2019 by 0.8% compared to a year before, in contrast to the number of registered cars for freight transport which fell by 0.9%.

Domestic demand remained solid and counteracted the economic effects caused by the worsening of economic conditions in external markets. Robust consumption was

complemented by an even stronger performance of the construction sector. Annual construction volume increased by a remarkable 28%, with new constructions having a large share in total. But industrial production went into negative territory, after eight years of expansion, declining by 2.3% in 2019 compared to a year ago. The slowdown in industry output was led by manufacturing, which fell by 1.9%, as the main European export markets, notably Germany's, were impacted by lower demand. Energy production also went down by 4.2%, while mining and quarrying dropped by 2.7%.

Despite the positive performance of consumption and construction, domestic macroeconomic imbalances worsened in 2019. The budget deficit reached 4.6% of GDP at the end of 2019, far above government's target of 2.8%, as lower than forecast revenues, together with the increase in public pensions, pushed up government's borrowing needs. In addition, the current account deficit continued to widen to 4.8% of GDP from 4.4% of GDP a year before. Political instability also rose, with a new minority government getting in power in October after its predecessor lost a no-confidence vote. Concerns about the size of the twin deficits, by far the largest among the countries in the region, coupled with the heightened political risk prompted some major international rating agencies to revise the country's outlook from stable to negative, in effect leaving Romania's rating one notch above the non-investment grade status. Frequent changes in legislation and the increased volatility in both political and economic environment impacted negatively net foreign investment. Although net foreign investment remained virtually flat in nominal terms, to an estimated EUR 5.3 bn, it fell as a percentage of GDP by around 8%, to 2.4% of GDP.

The uncertainty regarding the impact of legislation changes on local businesses, notably those pertaining to the effects of the emergency ordinance 114/2018, led to a six fold increase in the RON/EUR exchange rate monthly volatility in the first half of the year. On average, in 2019 the RON fell against both the EUR and the USD by 2% and 7.5% respectively.

End-year **consumer price inflation** stood at 4%, higher than the 3.3% recorded a year before. Volatile food prices and a relatively strong base effect in domestic fuel prices pushed up the overall inflation rate, while the depreciation of the RON against major currencies and the increase in excises had also inflationary effects. Monetary policy remained largely accommodative in 2019, as the central bank benchmark interest rate was left unchanged.

Romania's total **energy supply** went up by 2.2% in 2019, more than double the rate of

growth recorded in 2018, reaching 35.3 mn toe. Domestic energy production fell across all energy sources with the corresponding imports going up. Oil supply went up by 3.1% to 12 mn toe, with domestic production falling by 1% compared to a year ago. But distortions created by the change in legislation, which imposed a cap on gas prices sold to households, led to a sizable jump in gas imports. Domestic natural gas supply increased by 7.4% to 10.2 mn toe, with gas imports growing by an outstanding 77% to 2.1 mn toe. This pushed up natural gas imports' share in total supply to 21% in 2019 from 13% a year before.

Gas imports up
77% yoy; share in
consumption up to
21% in 2019 vs. 13%
in 2018

Business segments' operational performance

Upstream

At a glance ¹

	2019	2018	Δ (%)
Segment sales (RON mn) ²	9,541	9,742	(2)
Operating Result (RON mn) ³	2,589	3,531	(27)
Special items (RON mn)	(255)	306	n.m.
Clean Operating Result (RON mn)	2,845	3,224	(12)
Operating Result before depreciation (RON mn)	5,342	5,606	(5)
Capital expenditures (RON mn)	3,269	3,150	4
Exploration expenditures (RON mn)	427	466	(8)
Total Group production (mn boe)	55.35	58.30	(5)
thereof in Romania (mn boe)	52.97	55.82	(5)
Sales volumes (mn boe)	52.1	54.3	(4)
Production costs (OPEX in USD/boe)	10.90	11.18	(3)
Proved reserves as of December 31 (mn boe)	504	532	(5)
thereof in Romania (mn boe)	477	509	(6)

¹ For information about the financial performance of the segment, please refer to the relevant section in the Directors' report on pages 38-50;

² Including inter-segment sales;

³ Excluding intersegmental profit elimination.

HSSE is our first priority

The Lost Time Injury Rate (LTIR) (employees and contractors combined) improved to 0.40, compared with 0.48 in 2018. No work related fatalities occurred in our operations in 2019.

We continued to build a strong safety culture, where everyone is confident that every job can be safely performed. We are committed to achieving a sustainable culture of safety, where open reporting is a mean of learning and improvement. In order to foster this, we have initiated an HSSE training for frontline managers and continued to rollout the HSSE Passport program for contractors as well as the Safety Culture program following DuPont model.

In Upstream, we continued to focus on improving the carbon efficiency of our operations, achieving a 4.7% decrease of the carbon ^v intensity in 2019 vs. 2018. We will continue to act on climate change mitigation by developing projects that contribute to reaching our zero routine flaring and venting objective by latest 2030.

4.7% yoy decrease
of carbon intensity in
Upstream

Upstream operations in Romania

Exploration

In June, the Romanian Government granted OMV Petrom a five-year extension for nine exploration blocks.

In July, NAMR announced the launching of a new license round for Romania, comprising 28 oil and gas exploration blocks (22 onshore and six offshore). The official start of the tender process is awaited in 2020.

In December, OMV Petrom signed a contract to acquire OMV Offshore Bulgaria GmbH, which 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 by mid-2020.

During 2019, two new exploration wells were drilled in OMV Petrom's onshore licences. The shallow well 2800 Cobia was spudded in March and plugged and abandoned after it did not find hydrocarbons. The deep well 4700 Bărbătești was spudded in March and drilled to a depth of almost

^v Details will be available in the OMV Petrom's Sustainability Report for 2019.

5,000 m; the well was completed and is planned to be tested in the first half of 2020.

The exploration well 4461 Totea South drilled in the previous year was successfully tested in April 2019 and started production in Q4/19. The exploration well 6600 Băicoi drilled in 2018 was completed and prepared for production testing in 2020.

In October, OMV Petrom started a large (more than 1,500 km²) 3D seismic survey in exploration block VIII-Urziceni East together with Hunt Oil Company of Romania S.R.L. as operator. Completion is expected in the first half of 2020.

Production

At the end of 2019, OMV Petrom operated 193 commercial oil and gas fields in Romania. In March 2019, nine marginal fields with a production of around 1 kboe/d (2018 average) were transferred to Mazarine Energy Romania under a business transfer agreement.

In Romania, OMV Petrom's hydrocarbons production declined by 5.1% compared to 2018 level, to 52.97 mn boe (or 145.1 kboe/d). Crude oil and NGL production declined by 2.1% to 24.06 mn bbl (or 3.34 mn t), while natural gas production declined by 7.4% to 28.92 mn boe (or 4.42 bcm).

Offshore production accounted for 17% from OMV Petrom's total hydrocarbons production in Romania (6% of the crude oil and NGL production and 26% of natural gas production).

Crude oil production based on enhanced oil recovery techniques accounted for 26% of total domestic oil production of OMV Petrom. Heavy oil, representing crude oil with density greater than 900 kg/m³, accounted for 36% of total production of crude oil and NGL.

The internal gas consumption for Upstream domestic operations accounted for 10% of total gas production.

Natural decline, maintenance activities, and the transfer of nine marginal fields to Mazarine Energy Romania were the main factors that impacted production in Romania in 2019. Excluding the

effect of divestments, production decline stood at 4.6% yoy.

Overall production was supported by the production start of exploration well 4461 Totea South in the fourth quarter and the excellent contribution from new wells and workover activities.

2019 was an active year in terms of routine activities in Upstream, with an average of 93 crews available performing over 900 workover jobs and more than 5,000 well interventions. All of these led to an MTBF of 737 days, an improvement from 700 days in 2018.

Key projects

In 2019, drilling activities were sustained at a high level, with a peak of 13 active rigs in November in OMV Petrom's operated licenses. In line with our strategy to support the increase of the Reserves Replacement Rate (RRR), a total of 100 new wells and sidetracks were drilled in 2019. These activities included drilling of deep and complex, high impact exploration wells, and also well completion and production start at some significant wells.

OMV Petrom further invested in keeping operation of the facilities in line with company's HSSE standards and legal requirements as well as in simplifying operations and improving cost efficiency. All of these led to safeguarding oil and gas production and deliveries.

The following projects represent some highlights of our **Main Onshore Projects**:

► 4461 Totea South – Well hook-up and flowlines project

Totea 4461 exploration well is a new gas discovery in Oltenia area. Considering the production potential from the well testing results, the surface project was fast tracked, optimized in respect to activities planning enabling the well to be put in production in Q4/19.

► Central Hydrocarbon Dewpointing installation (CHD) Hurezani

Exploration well 4461 Totea South supported overall production

13 active rigs at peak, 100 new wells and sidetracks drilled

In 2019, works at the CHD Hurezani continued with the successful testing and start-up of the Low Temperature Separation (LTS) plant. By finalizing the LTS Plant, the entire Hurezani Gas Treatment Hub is now complete, after an overall investment of around EUR 200 mn over the past nine years, which included the Turbo Compressor Station, the Dehydration Station, and the Hydrocarbon Dewpointing Station.

The new gas treatment facility represents an investment of approximately EUR 50 mn that reflects latest industry standards in terms of technology. It increases energy efficiency and significantly contributes to the reduction of greenhouse gas emissions, while ensuring safe operations to deliver around 20% of OMV Petrom's gas production into the national gas transportation network.

► FRD Burcioaia and Safety Upgrade Mădulari

The facilities in Burcioaia and Mădulari are state of the art facilities for gas treatment following investments of more than EUR 130 mn. While FRD Burcioaia became fully operational towards the end of 2018, the Mădulari plant became fully operational in 2019.

► FRD Independența / Independența Tank Farm

Independența is a mature oil field in production since 1959. The purpose of FRD Independența is to increase production by drilling in previously undeveloped areas with high potential of oil accumulations. The project, consisting of drilling new horizontal wells, construction and modernization of gathering and metering points as well as a pipeline, became operational mid-2018, following investments of around EUR 50 mn. Out of the entire FRD scope, Independența Tank Farm is the last project remaining to be completed. Front End Engineering Design (FEED) was finalized and the project will pass into the detailed engineering phase and execution.

► FRD Suplac Phase 2 and Suplac Key Infrastructure projects

Several FRD Suplac Phase 2 activities were finalized in 2019; a gathering park, three well tie-ins clusters, and five platforms clusters. Construction works progressed on two other major projects in the Suplac area: "Revamp tank farm Suplac" and "Revamp potable water plant Suplac",

projects focused on improving safety, efficiency, and energy consumption. Also the FEED for "Revamp gas plant Abrămuț" has been completed. The investments in the Suplac area projects amounted to more than EUR 10 mn in 2019.

Offshore Portfolio

In 2019, the Gloria Jack-up Rig was safely removed from its production location in the Sinoe field. This marked the end of a 40-year drilling and production platform in the Romanian Black Sea and the first offshore decommissioning operation in Romania.

► Rejuvenation Program

The program continued to improve key process safety and integrity areas through completing a series of projects such as: installation of the third new offshore crane, upgrade of the fire and gas detection systems on three offshore platforms, installation of a new foam system for the crude oil bunds in Midia Terminal, intelligent pigging inspections on onshore and offshore pipelines, and initiation of detail design for helideck modernization on four offshore platforms. With over EUR 100 mn invested so far, this program shows our full commitment to the operations in the Black Sea region.

► FRD Petromar

The project passed Technical Committee in August, with the FEED contract commencing end of September 2019. The main objective of FRD Petromar is to increase offshore production while developing additional reserves in the Sinoe field and minimizing development cost by side-tracking existing non-producing wells as well as upgrading the related facilities.

Partnerships

Since July 2010, in order to optimize the portfolio of existing assets, OMV Petrom has entered into partnerships with international companies for production enhancement.

The partnerships with PetroSantander, Expert Petroleum Solution and Expert Petroleum are governed by **production enhancement contracts (PECs)** referred to as PEC Timiș, PEC Turnu, and PEC Țicleni, covering 22 mature fields in total.

The PECs stipulate that the contractors take over

and finance the operations and together with OMV Petrom commit to the future developments of the respective fields, in order to maximize production while improving efficiency. OMV Petrom remains the sole titleholder of the concession contracts and the owner of the hydrocarbon production and of the existing assets, as well as of the rights and obligations under the relevant petroleum concession as defined by the Petroleum Act.

In total, two new wells were drilled and 60 workovers jobs were performed by the contractors in 2019 within the PECs. The **total production of the PECs** in 2019 amounted to 7.3 kboe/d (2018: 7.4 kboe/d), of which PEC Țicleni, PEC Turnu, and PEC Timiș contributed 3.9 kboe/d, 1.2 kboe/d, and 2.2 kboe/d respectively.

In the **Joint Operations Agreement with Hunt Oil** (50% OMV Petrom, 50% Hunt Oil operator), we recorded a production of 1.4 kboe/d (OMV Petrom share) in 2019. A second well, 2 Padina

Nord, was drilled and tested in Q4/19, with positive results.

The **total production recorded by PECs and Joint Operations Agreements** in 2019 was 8.7 kboe/d (2018: 8.8 kboe/d), representing 6% of the OMV Petrom's total domestic production.

Production from PECs and Joint Operations Agreements at 8.7 kboe/d

International Upstream operations

In Kazakhstan, OMV Petrom holds development and production licenses for the TOC fields (Tasbulat, Aktas, Turkmenoi) and for the Komsomolskoe field. In 2019, the average oil and gas production in Kazakhstan declined by 4.6% versus 2018, to 2.37 mn boe (6.5 kboe/d), as the increased well intervention and workover activities could not fully compensate the lower production from key wells at the beginning of the year. Well interventions and workover activities were restarted after the pause in 2018. A total of twelve workover jobs and 44 well interventions were carried out in 2019.

Production in 2019

	Oil and NGL		Natural gas		Total
	mn t	mn bbl	bcm	mn boe	mn boe
Romania	3.34	24.06	4.42	28.92	52.97
Kazakhstan	0.27	2.07	0.05	0.30	2.37
OMV Petrom Group	3.61	26.12	4.47	29.22	55.35

Proved reserves as of December 31, 2019

	Oil and NGL		Natural gas		Total
	mn t	mn bbl	bcf	mn boe	mn boe
Romania	40.4	290.9	1,005.8	186.3	477.2
Kazakhstan	3.1	24.3	14.9	2.5	26.8
OMV Petrom Group	43.6	315.2	1,020.7	188.7	503.9

Single year 2019 RRR
at 49%, up 7 pp yoy

Reserve Replacement Rate (RRR) ^{vi}

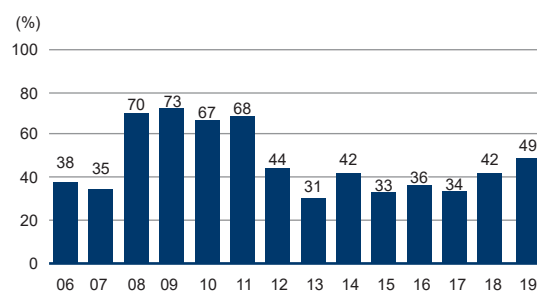
As of December 31, 2019, the **total proved oil and gas reserves** in the OMV Petrom Group's portfolio amounted to 504 mn boe (of which 477 mn boe in Romania), while the **proved and probable oil and gas reserves** amounted to 786 mn boe (of which 743 mn boe in Romania).

For the single year 2019, the Group's RRR increased to 49% (2018: 42%), while in Romania it was 39.5% (2018: 40%). The Group's three-year average RRR increased to 42% in 2019 (2018: 38%), and in Romania it increased to 38% (2018: 34%).

OMV Petrom was able to increase RRR mainly

due to favourable drilling and workover results and new projects.

OMV Petrom Group (1Y) Reserves Replacement Rate



^{vi} Including the effect of the divestments of nine marginal fields in 2019.

Downstream

Downstream Oil

At a glance ¹

	2019	2018	Δ (%)
Segment sales (RON mn) ²	18,346	17,208	7
Operating Result (RON mn) ³	1,475	1,385	6
Special items (RON mn)	(204)	9	n.m.
CCS effects (RON mn)	178	42	326
Clean CCS Operating Result (RON mn) ⁴	1,501	1,335	12
Operating Result before depreciation (RON mn)	2,223	2,068	7
Capital expenditure (RON mn)	818	1,112	(26)
Refinery utilization rate (%)	97	85	14
Refining input (kt)	4,727	4,084	16
Crude oil processed (kt) ⁵	4,306	3,788	14
Total refined product sales (kt)	5,462	4,987	10
thereof: Gasoline (kt)	1,310	1,208	8
Diesel (kt)	2,702	2,494	8
Kerosene/Jet fuel (kt)	289	275	5
Fuel oils & Bitumen (kt)	342	267	28
thereof: Retail sales volumes (kt) ⁶	2,847	2,743	4

¹ For information about the financial performance of the segment, please refer to the relevant section in the Directors' report on pages 38-50;

² Including inter-segment sales;

³ Excluding intersegmental profit elimination;

⁴ Adjusted for exceptional, non-recurring items; clean CCS figures exclude special items and inventory holding effects (current cost of supply – CCS – effects) resulting from Downstream Oil;

⁵ Including NGL;

⁶ Retail sales volumes refer to sales via Group's filling stations in Romania, Bulgaria, Serbia, Moldova.

HSSE is our first priority

In Downstream Oil, we continued to focus on improving the HSSE performance, by rolling out several programs throughout the organization (campaigns such as: "Golden Rules & Supplementary Life Saving Rules", "Be Smart, Be Safe", as well as the "Leading Safety" program).

The LTIR (employees and contractors combined) in Downstream Oil was 0.15, better than the international benchmark.

In 2019, we continued to concentrate on improving the carbon footprint of our operations by reducing the carbon ^{vii} intensity by 3% versus 2018.

Operational performance

The operational performance and energy

efficiency of the Petrobrazi refinery remained at competitive levels.

In 2019, the OMV Petrom indicator refining margin was USD 4.67/bbl, lower by USD 1.61/bbl than in 2018, due to lower spreads for products, mainly gasoline.

The refinery utilization rate was higher yoy, 97% in 2019 compared to 85% in 2018, which was impacted by the six-week planned turnaround in Q2/18.

The continued focus on operational and energy efficiency allowed us to maintain the fuel and loss indicator below 8%, improved versus the previous year.

OMV Petrom indicator refining margin down by USD 1.61/bbl

Fuel and loss indicator below 8%

^{vii} Details will be available in the OMV Petrom's Sustainability Report for 2019.

Production (kt)

	2019	2018	Δ (%)
Gasoline	1,302	1,151	13
Diesel	1,958	1,582	24
Kerosene/Jet fuel	117	111	5
Fuel oils	281	234	20
LPG total	196	189	4
Petroleum coke	274	248	10
Other ¹	260	238	-3
Total	4,388	3,754	17

¹ Comprises other products such as: Propylene, Naphta, Hydrotreated Gasoline, Heavy Gasoline Fraction, Sulphur, etc.

OMV Petrom Group's total refined product sales amounted to 5,462 kt in 2019, representing a 10% increase compared to 2018, mainly reflecting the improved demand in all sales channels in 2019 and the lower product availability in the prior year due to the refinery turnaround.

Group **retail** sales volumes were 4% higher than in 2018, reaching 2,847 kt, as a result of a positive trend mainly in the domestic market demand. In Romania, retail sales reached 2,388 kt in 2019, 5% higher than in 2018. Therefore, in 2019, the average throughput per station in Romania increased to 5.27 mn liters (2018: 5.03 mn liters), driving the overall increase of this indicator at the Group level to 4.43 mn liters (2018: 4.28 mn liters).

Retail market share ^{viii} in the operating region was 32%, reflecting improved efficiency, despite increased competition.

Within the OMV-branded filling stations, we continued to provide our customers with best-in-class fuels and convenience on the go with a diversified range services for the drivers (e.g. money transfer, car insurance, utilities payments, courier services).

In the Petrom-branded filling stations, we have consolidated our "value for money" proposition

on fuels, while continuing our efforts to become more appealing to the younger demographic, via specific consumer promotions and capitalizing on the convenience of our offer. Regarding our strategic partnerships, we continued the pilot phase of the cooperation with the retailer Auchan, via the addition of two new filling stations with an innovative approach to design, reaching a total of 17 MyAuchan convenience stores in the Petrom-branded filling stations. A Memorandum of Understanding (MoU) was signed in February 2019 between OMV Petrom and Auchan Retail Romania, setting forth the intentions of both parties to discuss further expansion of the partnership. Subsequently, the Competition Council issued its approval of the partnership, a necessary step of the process towards expansion at national level, subject to closing the negotiations and contract signing. Furthermore, we continued the partnership with Subway in Romania and with KFC in Serbia.

As a result of these measures, together with sustained customer incentive programs, the non-fuel business contribution continued to support the increased retail performance yoy. In 2019, the total non-fuel business turnover at Group level increased by 9% compared to the previous year, driven by the improved performance and benefits of the shop-in-shop ^{ix} concept, the diversified offer in the restaurant area, and our strategic partnerships.

Average throughput per station in Romania at 5.27 mn liters, up 5% yoy

^{viii} OMV Petrom's estimates based on preliminary data available; OMV Petrom retail market share is calculated by dividing retail sales (Gasoline + Diesel) by the total retail market (Gasoline + Diesel);

^{ix} Space rented to partners within the shop area of a filling station.

In 2019, in the **non-retail** distribution channels, OMV Petrom continued to focus on strengthening business-to-business activities and maximizing value from its product portfolio by taking advantage of market opportunities, targeting new customers and customizing the offers based on a market segmentation approach. Group non-retail sales increased by 17% compared to 2018 reflecting higher wholesale and export sales. In Romania, non-retail sales were 1,146 kt, 2% below the previous year's level.

OMV Petrom fuel **prices** have a dynamic

evolution based on international fuel quotations, namely Platts Mediterranean, as well as on market competition. In addition, prices are influenced by the fiscal policy and exchange rate. As the volatility of quotations is extremely high and an immediate reflection in product prices would make the market unstable, OMV Petrom fuel prices only reflect the trend, not the highs or lows.

The **filling stations network** operated within the OMV Petrom Group at the end of 2019 comprised a total of 793 filling stations, one unit below 2018.

Group non-retail sales
up 17% yoy

Number of filling stations per country at the end of period

	2019	2018	Δ
Romania	556	558	-2
Moldova	81	82	-1
Bulgaria	94	93	1
Serbia	62	61	1
Total	793	794	-1

Downstream Gas

At a glance ¹

	2019	2018	Δ (%)
Segment sales (RON mn) ²	6,978	5,079	37
Operating Result (RON mn) ³	438	286	53
Special items (RON mn)	156	(73)	n.m.
Clean Operating Result (RON mn)	282	360	(22)
Operating Result before depreciation (RON mn)	530	378	40
Capital expenditure (RON mn)	85	26	230
Gas sales volumes (TWh)	54.8	47.3	16
thereof to third parties (TWh)	47.2	38.9	21
thereof to the regulated market (TWh)	12.5	-	n.m.
Net electrical output (TWh)	3.4	3.8	(11)

¹ For information about the financial performance of the segment, please refer to the relevant section in the Directors' report on pages 38-50;

² Including inter-segment sales;

³ Excluding intersegmental profit elimination.

HSSE is our first priority

Downstream Gas HSSE performance remained outstanding in 2019. As always, in any activity we undertake, the health and safety of our employees and contractors is our top priority and we are proud to once again record a year with no work-related incidents or lost-time injuries. We continue to focus on improving our carbon footprint.

In 2019, we recorded a marginally higher carbon ^x intensity level as compared to the 2018 level, in the context of lower net electrical output.

Operational performance

According to our estimates, national gas consumption decreased by ~6% in 2019 as compared to 2018, mainly weather driven, being covered by lower domestic production and significantly higher imports. In 2019, on the Romanian centralized markets, the traded gas volumes covering a variety of standard products totaled 60.6 TWh (with delivery until end-2020), at an average price of RON 109/MWh ^{xi}.

With a very strong gas sales performance, OMV Petrom's total gas sales volumes increased to

54.8 TWh in 2019, by 16% yoy, supported by higher acquisitions from third parties. Given the legislation in force, in 2019 OMV Petrom supplied the gas regulated market, delivering 12.5 TWh to the households and district heating for households suppliers, as per the set allocation, at the fixed price of RON 68/MWh.

In the same time, we concluded significant sale transactions on the centralized markets, with a total gas volume of 18.7 TWh contracted for deliveries until end-2020, at an average price in line with market prices.

The gas supply portfolio blended equity gas with a diversified mix of other sources to secure sustainable coverage of all our sales commitments. Faced with declining equity production as well as the obligation to supply quantities to the regulated and to trade on the centralized markets, we have acquired gas volumes from third parties in order to develop our end-user portfolio. At the end of 2019, OMV Petrom had 3.0 TWh of gas in storage.

We successfully maintained our leading position on the Romanian gas market, thus delivering

National gas demand down ~6% yoy, on our estimates

^x Details will be available in the OMV Petrom's Sustainability Report for 2019;

^{xi} Data regarding Romanian centralized markets represent OMV Petrom's estimates based on available public information. The gas price for such transactions refers to various products in terms of storage costs, flexibility and timing.

on our strategy. Our customer portfolio broadly ranges from leading industrial players (the largest producer of fertilizers, the leader of the steel industry in Romania, the biggest Romanian refinery, tire manufacturers, heat and power producers, etc.) to medium-sized and small consumers (cement, construction materials, furniture, machinery and equipment, non-steel metals, paper and pulp, food and beverage, commercial, bakeries, services, etc.). Built on our promise to ensure security of supply as well as supported by our business-friendly approach, competitive terms and professionalism, our relationships with the customers are long-term and mutually supportive. We are committed to understand our customers' activities, we are actively involved in events that help us maintain a close relationship with the Romanian business environment, and we constantly support the developing directions of the Romanian industry through the expertise and experience we have accumulated. We aim to further improve the partnership with our customers for long-term mutual value creation.

On the **power** market, as per currently available data from the grid operator, national electricity consumption slightly decreased to 60 TWh in 2019 (2018: 61 TWh). The national electricity production dropped by 8%, to almost 59 TWh (2018: 64 TWh). In terms of power generation mix in 2019, the significantly lower power production from hydro, coal and natural gas was not compensated by the slightly higher production from renewable sources. As such, Romania was a net power importer in 2019. The OPCOM spot base load power prices increased by approximately 10% yoy, averaging RON 239/MWh in 2019 (2018: RON 216/MWh). Market coupling played a particularly important role in 2019 in terms of spot power prices but also in the context of Romania being a net power importer for the year overall and in every month in the second half of the year.

2019 was a good year for our power business as well, with the Brazi power plant having generated a net electrical output of 3.4 TWh in the context

of 93% availability. The power plant's optimization mechanism covers both forward and spot sales and thus improves the role of the power plant within our equity gas value chain, while forward contracts are used as hedges to protect against price volatility, both long- and short-term.

In 2019, the power plant was able to capture market opportunities, also on the balancing market, and covered approximately 6% of Romania's electricity production, same percentage as in 2018. The Brazi power plant had a legal obligation to supply the regulated power market with 1.14 TWh at the price of RON 259.58/MWh. As per our regular power business, we supplied both the wholesale power market, as well as our retail customer portfolio. Moreover, we had a significant contribution to the stability of the national electricity system, providing timely balancing services.

More than ever, the Downstream Gas performance in 2019 needs to be considered in correlation with the overall energy market context. In 2019, both gas and power markets were highly volatile and unpredictable, mainly due to regulatory changes at the beginning of the year. With a strong commitment to a liberalized market and with the strong support from our customers and business partners, we managed to strengthen our market position. We enforced our business foundation and optimized operations by centralizing all gas and power activities under one legal entity. The diversified supply and sale portfolios, the commitment to our customers and partners and to the Romanian energy market are robust premises for long-term future value added.

Brazi power plant covered ~6% of Romania's electricity production

Highly volatile and unpredictable gas and power markets in 2019

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Report of the Supervisory Board

Transparency and accountability towards our shareholders is a well-established and deeply entrenched practice that has been implemented in the Company. Hence, the Supervisory Board continued to devote close attention to the Company's strategic focus and business performance in all areas of activity during 2019.

The following report provides an overview of the Supervisory Board's main points of interest during the year under review. In addition to this report, the shareholders, as well as other stakeholders, may access relevant information about the Company and the Supervisory Board by:

- ▶ visiting the Company's website, www.omvpetrom.com, where various information about the Company and relevant contact details are available;
- ▶ reading the other sections of the Company's Annual Report;
- ▶ contacting the Company directly – shareholders, investors and equity analysts can address their requests to the Investor Relations department;
- ▶ asking questions at the GMS, concerning the items to be debated during such meetings.

Composition of the Supervisory Board

The Supervisory Board consists of nine members who were appointed by the Ordinary GMS, in accordance with the provisions of Company Law and the Articles of Association. The Supervisory Board's current mandate started on April 28, 2017 and expires on April 28, 2021. The CVs of the current Supervisory Board members are available on the Company's corporate website and short presentations are included in the Corporate Governance Report.

At the beginning of 2019, the Supervisory Board consisted of the following members: Rainer Seele (President), Reinhard Florey (Deputy President), Manfred Leitner, Christopher Veit, Daniel Turnheim, Jochen Weise, Sevil Shhaideh, Radu-Spiridon Cojocaru and Joseph Bernhard Mark Mobius.

Following Manfred Leitner's waiver of his mandate as member of the Supervisory Board, Thomas Gangl was appointed as interim member of the Supervisory Board, effective as of July 1, 2019 and until the next GMS. Moreover, following the waiver of Christopher Veit's mandate as member

of the Supervisory Board, Johann Pleininger was appointed as interim member of the Supervisory Board, effective as of August 10, 2019 and until the next GMS.

Therefore, at the end of 2019, the Supervisory Board had the following composition: Rainer Seele (President), Reinhard Florey (Deputy President), Thomas Gangl, Johann Pleininger, Daniel Turnheim, Jochen Weise, Sevil Shhaideh, Radu-Spiridon Cojocaru and Joseph Bernhard Mark Mobius.

On March 3, 2020, the Ordinary GMS, convened at the request of the shareholder Romanian State (via the Ministry of Economy, Energy and Business Environment), approved the revocation of Sevil Shhaideh from her capacity as member of the Supervisory Board and the appointment of Niculae Havrileț as new member in the Supervisory Board for the remaining period of the mandate granted to Sevil Shhaideh. On the same occasion, the Ordinary GMS approved the appointment of Thomas Gangl and Johann Pleininger (previously interim Supervisory Board members) as Supervisory Board members for the remaining period of the mandates granted to Manfred Leitner and Christopher Veit, respectively.

Independence

Upon appointing each Supervisory Board member, the Company conducts an independence evaluation based on the independence criteria provided by the Corporate Governance Code of the Bucharest Stock Exchange (which are substantially similar to those provided by the Company Law). The independence evaluation consists of an individual personal assessment carried out by the relevant Supervisory Board member, and is then followed by an external assessment.

Moreover, for the purpose of preparing this report, the Company reconfirmed with all Supervisory Board members their independent or non-independent status as of December 31, 2019. Following this evaluation, it resulted that the following Supervisory Board members met during 2019 all the independence criteria stipulated by the Corporate Governance Code, namely: Jochen Weise, Radu-Spiridon Cojocaru, Sevil Shhaideh and Joseph Bernhard Mark Mobius.

Supervisory Board's
current mandate until
April 2021

At the date of this report, considering also the above mentioned changes in the Supervisory Board composition, the following members have an independent status as per the Corporate Governance Code's criteria: Jochen Weise, Radu-Spiridon Cojocaru and Joseph Bernhard Mark Mobius. Information on the independency of the Supervisory Board members is included also on the Company's corporate website.

Supervisory Board works

In 2019, the Supervisory Board thoroughly reviewed the position and prospects of the Company and accomplished its functions according to the relevant laws, the Articles of Association, the applicable Corporate Governance Code and the relevant internal regulations. The Supervisory Board coordinated with the Executive Board on important management matters, monitored the latter's work and was involved in the Company's key decisions, always following a comprehensive analysis.

During the year under review, the Supervisory Board members met six times in person. Moreover, for specific and particularly urgent matters and projects arising between the scheduled meetings, the Supervisory Board submitted its approval in writing by circulation, without an actual meeting being held, on three other occasions. All members of the Supervisory Board attended, in person or by telephone or video conference, the vast majority of the meetings of the Supervisory Board in 2019. The average participation rate was over 90%. On three occasions some of the Supervisory Board members were represented by other Supervisory Board members in meetings.

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

During the meetings, the Executive Board duly provided detailed information, both verbally and in writing, on issues of fundamental importance for the Company, including its financial position,

business strategy, planned investments and risk management. Based on the reports of the Executive Board, the Supervisory Board discussed all significant matters for OMV Petrom in the plenary meetings. The frequency of both plenary and committee meetings has facilitated an intensive dialogue between the Executive Board and Supervisory Board.

Besides the usual items, proposals and materials that were discussed and submitted for approval of the Ordinary GMS in April 2019, Supervisory Board's main focus during 2019 was, amongst others, the overall development of the Company and the status of the Neptun Deep project.

In terms of governing bodies, the Supervisory Board approved in 2019 a new four-year mandate for the Executive Board.

In addition, in the regular report to the Supervisory Board, the President of the Executive Board focused on topics such as HSSE, energy sector overview and macroeconomic prospective.

Self-evaluation of the Supervisory Board

The Company has a Supervisory Board Self-Evaluation Guideline in place that provides the purpose, criteria and frequency of such an evaluation. The aim of this self-evaluation is to assess and, if necessary, to improve both the efficiency and the effectiveness of the Supervisory Board's activities, as well as to ensure that the Supervisory Board can fulfil its responsibilities towards shareholders and other stakeholders. Based on this Supervisory Board Self-Evaluation Guideline, the Supervisory Board underwent a self-evaluation process for the business year 2019, under the guidance of the President of the Presidential and Nomination Committee.

In terms of experience, expertise, qualification, diversity, number of members and presence, the Supervisory Board considers the composition of the Supervisory Board to be satisfactory. Supervisory Board members also value the good collaboration with the Executive Board, the organization and conducting of the Supervisory Board meetings and the quality of the documents provided for such meetings.

Supervisory Board approved a new four-year mandate for the Executive Board

Changes in the Audit Committee to increase compliance with Corporate Governance Code

A new Audit Committee member starting March 2020

Audit Committee

The Audit Committee is a consultative committee consisting of Supervisory Board members who assist the Supervisory Board on topics such as financial reporting, external auditing, internal auditing, internal controls and risk management, as well as compliance, conduct and conflicts of interest.

At the beginning of 2019, the Audit Committee was composed of four members, namely Reinhard Florey (President), Jochen Weise (Deputy President - independent), Sevil Shhaideh (member - independent) and Radu-Spiridon Cojocaru (member - independent). In order to increase the level of compliance with the provisions of the Corporate Governance Code, starting April 19, 2019, the Supervisory Board approved the following changes: Jochen Weise, who previously held the position of Deputy President, was appointed as President of the Audit Committee, while Reinhard Florey became Deputy President of the Audit Committee.

Therefore, at the end of 2019, the Audit Committee had the following composition: Jochen Weise (President - independent), Reinhard Florey (Deputy President), Sevil Shhaideh (member - independent) and Radu-Spiridon Cojocaru (member - independent).

Following Sevil Shhaideh's revocation as of 3 March 2020 of her mandate as member of the Supervisory Board (and consequently the cease of the position in the Audit Committee) and the appointment of Niculae Havrileț as member of the Supervisory Board as of 3 March 2020, Niculae Havrileț was also appointed as member of the Audit Committee as of 13 March 2020 and until the expiration of the mandate of the current Supervisory Board, namely until 28 April, 2021.

Therefore, at the date of this report, following this change in the Supervisory Board membership, the Audit Committee has the following composition: Jochen Weise (President - independent), Reinhard Florey (Deputy President), Niculae Havrileț (member) and Radu-Spiridon Cojocaru (member - independent).

The CVs of the current Audit Committee members

are available on the Company's corporate website and short presentations are also included in the Corporate Governance Report.

In 2019, the Audit Committee met three times, on which occasions it reviewed and recommended the adoption of the annual financial statements, reviewed the reports on payments to governments, endorsed the Executive Board's proposal regarding the allocation of profits as well as the proposal regarding the distribution of dividends for the financial year 2018 and recommended to the Supervisory Board and to the Ordinary GMS the reappointment of Ernst & Young Assurance Services SRL (EY) as independent financial auditor.

As EY is the independent financial auditor of OMV Petrom group since 2011, reaching next year the ten years maximum duration period provided by the EU Regulation no. 537/2014, in 2019 a public tendering process for the selection of the independent financial auditor for the audit of 2021 individual and consolidated financial statements of OMV Petrom was initiated, the selection process being steered by the Audit Committee.

In addition, the Audit Committee supervised and evaluated the efficiency of OMV Petrom's internal control and risk management system, the adequacy of risk management and internal control reports, and the responsiveness and effectiveness of management to deal with failings or weaknesses identified during internal control activities.

Moreover, the Audit Committee focused on assessing the effectiveness and scope of the internal audit function, on monitoring the application of statutory and generally accepted standards of internal audit as well as on evaluating the reports of the internal audit activity, including the internal audit plan for 2020.

In the same time, the Audit Committee examined and reviewed, before their submission to the Supervisory Board for approval, related party transactions that exceeded or were expected to exceed 5% of the Company's net assets in the previous financial year.

Independent financial auditor

EY was OMV Petrom Group's independent auditor

in 2019. Based on the recommendations of the Audit Committee, a proposal for the reappointment of EY as OMV Petrom Group's independent financial auditor will be submitted for approval to the next Ordinary GMS to be held on April 27, 2020.

Annual financial statements

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

Separate financial statements of the Company for the year ended December 31, 2019 are also prepared in accordance with IFRS, as the Ministry of Finance Order no. 2844/2016 stipulates that Romanian listed companies must prepare separate financial statements in accordance with IFRS as endorsed by the European Union, starting with the year ended December 31, 2012. EY audited the 2019 financial statements, read the annual report and has not identified information which is not consistent in all material respects with the information presented in the financial statements, and issued an unqualified audit opinion.

The financial statements and audit reports for the year ended December 31, 2019, as well as the Executive Board proposal to distribute dividends of RON 0.031 per share (corresponding to a payout ratio of 48% based on the Group's 2019 net profit attributable to stockholders of the parent) were presented to the Supervisory Board for examination in a timely manner. EY attended the relevant meeting of the Audit Committee convened to review the financial statements. The Audit Committee discussed the financial statements with the independent financial auditor and examined them carefully. Moreover, the Audit Committee reported to the Supervisory Board on its examination and recommended the approval of the annual separate and consolidated financial statements, including the management reports for the year ended December 31, 2019 and the Executive Board proposal for allocation of the profit, including distribution of dividends. The separate and consolidated financial

statements were approved in the Supervisory Board meeting of March 17, 2020 in line with the Audit Committee's recommendation and will be further submitted for approval in the Ordinary GMS to be held on April 27, 2020.

Furthermore, following the review by the Audit Committee, the Supervisory Board has approved the reports on payments to governments for the year 2019, prepared in accordance with Chapter 8 of the Annex 1 of Ministry of Finance Order no. 2844/2016 for approval of Accounting Regulations according to International Financial Reporting Standards, transposing Chapter 10 of the Accounting Directive (2013/34/EU) of the European Parliament and of the Council.

Corporate Governance

The Supervisory Board also approved the 2019 Directors' Report which includes the Corporate Governance Report.

We thank our shareholders for their confidence in OMV Petrom. The Company continued its successful operational path of development in 2019 despite the difficulties caused by the effects of the volatile regulatory environment.

To this end, the Supervisory Board members would like to express their appreciation to the Executive Board, managers, employees and trade union representatives for their commitment and hard work during the entire year. They successfully met the challenges of a demanding 2019 and achieved excellent results. We would also like to show our appreciation to the clients and business partners of OMV Petrom. Thanks to the sound operational performance and financial position, the Supervisory Board is confident that the Company is best positioned to surmount further challenges ahead, take advantage of new opportunities and unlock its full potential in the years to come.

Bucharest, March 17, 2020



Rainer Seele
President of the Supervisory Board

Dividend proposal of
RON 0.031/share

Directors' report



From left to right: Alina Popa (Chief Financial Officer - EB Member); Radu Căprău (EB Member - Downstream Oil); Christina Verchere (Chief Executive Officer - President of EB); Franck Neel (EB Member - Downstream Gas); Peter Zeilinger (EB Member - Upstream).

OMV Petrom Group financials (RON mn)

	2019	2018	Δ (%)
Sales revenues	25,485	22,523	13
Operating Result	4,245	5,213	(19)
Net income	3,635	4,078	(11)
Net income attributable to stockholders	3,635	4,078	(11)
Cash flow from operating activities	6,803	7,385	(8)
Capital expenditures	4,225	4,289	(2)
Employees at the end of period	12,347	13,201	(6)

Consolidated sales up
13% yoy

In 2019, the Group reported consolidated **sales** of RON 25,485 mn, 13% higher compared to 2018, driven by higher sales volumes and prices for natural gas, higher sales volumes for petroleum products and higher prices for electricity, partially compensated by lower selling prices for petroleum products.

The Group's **Operating Result** for the year 2019 decreased by 19% to RON 4,245 mn (2018: RON 5,213 mn), influenced mainly by unfavorable

market environment as well as net special charges in 2019. Clean CCS Operating Result, in amount of RON 4,573 mn, lower by 5% yoy, is stated after eliminating net special charges of RON (370) mn and inventory holding gains of RON 42 mn. The **net result was a profit** of RON 3,635 mn in 2019 (2018: RON 4,078 mn).

The **return on average capital employed** ^{xii} (ROACE) reached a value of 12.9% (2018: 15.6%), while Clean CCS ROACE decreased to

^{xii} For definitions of these ratios please refer to pages 76-78, section "Abbreviations and definitions".

13.8% at the end of 2019, from 14.3% at the end of 2018.

Cash flow from operating activities amounted to RON 6,803 mn, 8% below the 2018 level, reflecting the lower operating result and the increase of the net working capital.

Capital expenditure amounted to RON 4,225 mn in 2019 and was 2% lower than in 2018.

Due to the significant cash balance at December 31, 2019, OMV Petrom Group reported a **net cash** position of RON 5,982 mn at the end of 2019, up from RON 4,891 mn at the end of 2018.

Strong net cash position of RON 6 bn

Operating Result

Operating Result (RON mn)	2019	2018	Δ %
Upstream ¹	2,589	3,531	(27)
Downstream	1,913	1,672	14
thereof Downstream Oil	1,475	1,385	6
thereof Downstream Gas	438	286	53
Corporate and Other	(156)	(106)	(48)
Consolidation: elimination of intercompany profits	(102)	116	n.m.
OMV Petrom Group Operating Result	4,245	5,213	(19)

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

In **Upstream, Operating Result** declined to RON 2,589 mn (2018: RON 3,531 mn), mainly driven by lower oil price, lower hydrocarbon volumes, higher depreciation and exploration expenses, partly offset by higher gas price.

Exploration expenses increased to RON 238 mn in 2019 (2018: RON 174 mn) due to seismic acquisition in VIII - Urziceni East block and increased G&G activities. Group **production cost** improved by 3% compared to the 2018 level to USD 10.90/boe, mainly due to favorable FX effects, which compensated the impact from lower production available for sale. Production cost in Romania improved by 3% versus 2018, to USD 11.03/boe, while in RON terms it increased by 4% to RON 46.77/boe. Upstream Operating Result in 2019 also reflected special charges of RON (255) mn, driven mainly by an impairment of assets held for sale, while 2018 special items, of RON 306 mn, reflected mainly an impairment reversal; both periods included personnel restructuring costs.

In **Downstream Oil, Operating Result** increased to RON 1,475 mn (2018: RON

1,385 mn), reflecting the low base effect from the prior year's Petrobrazî refinery turnaround, the improved operational performance in refining and the higher sales volumes, in the context of a weaker refining margin environment. In 2019, the OMV Petrom indicator **refining margin** decreased versus 2018 by USD 1.61/bbl to USD 4.67/bbl, due to lower spreads for products, mainly gasoline. The **refinery utilization rate** reached 97%, compared to 85% in 2018, which was impacted by the six-week planned turnaround. Downstream Oil Operating Result reflected also **special charges** of RON (204) mn (2018: special items RON 9 mn), and **CCS inventory holding gains** of RON 178 mn (2018: RON 42 mn).

In **Downstream Gas, Operating Result** increased to RON 438 mn (2018: RON 286 mn) reflecting the optimization of products and clients portfolios, enlarged gas sales volumes and increased trading activity, compensating the weaker power business performance triggered by deteriorated market conditions. Downstream Gas Operating Result reflected also net special items

Downstream Oil Operating Result increased despite weaker refining margin

Downstream Gas Operating Result up 53% yoy

of RON 156 mn mainly from temporary effects on valuation of forward contracts (2018: special charges of RON (73) mn).

(2018: RON (106) mn), impacted by higher social sponsorship activities.

Operating Result in the **Corporate and Other** (Co&O) segment was RON (156) mn

Special items and CCS effect

Special items and CCS effect (in RON mn)	2019	2018	Δ %
Clean CCS Operating Result	4,573	4,804	(5)
Special items	(370)	223	n.m.
thereof personnel and restructuring	(53)	(71)	25
thereof unscheduled depreciation and write-ups	-	423	(100)
thereof other	(317)	(130)	(144)
CCS effect: Inventory holding gains/(losses)	42	186	(77)
OMV Petrom Group Operating Result Group	4,245	5,213	(19)

RON (370) mn net special charges

The disclosure of **Special items** is considered appropriate in order to facilitate the analysis of the ordinary business performance. To reflect comparable figures, certain items affecting the result are added back or deducted. They are being disclosed separately. These items can be divided into three categories: personnel and restructuring, unscheduled depreciation and write-ups and other.

Furthermore, to enable effective performance management in an environment of volatile prices and comparability with peers, the **Current Cost of Supply (CCS)** effect is eliminated from the result. The CCS effect, also called inventory holding

gains or losses, represents the difference between the cost of sales calculated using the current cost of supply and the cost of sales calculated using the weighted average method after adjusting for any changes in valuation allowances, in case the net realizable value of the inventory is lower than its cost. In volatile energy markets, measurement of the costs of petroleum products sold based on historical values (e.g. weighted average cost) can have a distorting effect on the reported results. This performance measurement enhances the transparency of the results and is commonly used in the oil industry. OMV Petrom, therefore, published this measurement in addition to the Operating Result determined according to IFRS.

Notes to the income statement

Summarized consolidated income statement (RON mn)	2019	2018	Δ %
Sales revenues	25,485	22,523	13
Other operating income	264	672	(61)
Net income from equity-accounted investments	7	10	(23)
Total revenues and other income	25,757	23,205	11
Purchases (net of inventory variation)	(10,681)	(8,040)	(33)
Production and operating expenses	(3,470)	(3,140)	(11)
Production and similar taxes	(1,187)	(1,241)	4
Depreciation, amortization and impairment charges	(3,512)	(3,180)	(10)
Selling, distribution and administrative expenses	(2,140)	(1,977)	8
Exploration expenses	(238)	(174)	(36)
Other operating expenses	(284)	(239)	(19)
Operating result	4,245	5,213	(19)
Net financial result	32	(299)	n.m.
Taxes on income	(642)	(836)	23
Net income	3,635	4,078	(11)
Less net income attributable to non-controlling interests	0	(0)	n.m.
Net income attributable to stockholders of the parent	3,635	4,078	(11)

OMV Petrom is an integrated oil and gas company. The hydrocarbons produced by the Upstream segment are processed and marketed mainly by the Downstream business. Compared to 2018, consolidated sales revenues increased by 13% to RON 25,485 mn, driven by higher sales volumes and prices for natural gas, higher sales volumes for petroleum products and higher prices for electricity, partially counterbalanced by lower selling prices for petroleum products. After the elimination of intra-group transactions of RON 9,060 mn, the contribution of the **Upstream** segment representing sales to third parties was RON 481 mn or about 2% of the Group's total sales revenues (2018: RON 528 mn). Sales to external customers in the **Downstream Oil** segment amounted to RON 18,237 mn or 72% of total consolidated sales (2018: RON 17,075 mn). After elimination of intra-group sales, the **Downstream Gas** segment's contribution was RON 6,737 mn or approximately 26% of total sales (2018: RON 4,884 mn).

Sales to external customers are split by geographical areas on the basis of where

the risks and benefits are transferred to the customer. Romania and Central and Eastern Europe represent the Group's most important **geographical markets**. Sales in Romania were in an amount of RON 21,566 mn or 85% of the Group's total sales (2018: RON 19,112 mn, 85% of total sales) and sales in the rest of Central and Eastern Europe were RON 3,849 mn or 15% of Group sales (2018: RON 3,382 mn).

Other operating income decreased to RON 264 mn, while in 2018 amounted to RON 672 mn, when it included a positive effect of RON 430 mn from the reversal of a previously recorded impairment in Upstream.

Purchases (net of inventory variation) which include costs of goods and materials employed amounted to RON 10,681 mn and increased by 33% yoy mainly as a result of higher purchases from third parties that supported higher sales volumes.

Production and operating expenses increased to RON 3,470 mn (2018: RON 3,140 mn) partly

Sales in Romania at 85% of total, same as in 2018

Exploration expenses
up 37% yoy

as a result of the set-up of a provision related to future estimated soil remediation costs in relation to Arpechim refinery.

Exploration expenses increased to RON 238 mn (2018: RON 174 mn), mainly due to seismic acquisition in VIII - Urziceni East block and increased G&G activities.

Other operating expenses increased by 19% to RON 284 mn, compared to the 2018 value of

RON 239 mn.

The net financial result improved to RON 32 mn from a loss of RON (299) mn in 2018, reflecting mainly the positive impact from the discounting of receivables and higher interest income on bank deposits.

Taxes on income were in the amount of RON (642) mn (2018: RON (836) mn), mainly driven by the lower profit generated during 2019.

Capital expenditure (CAPEX)

OMV Petrom Group Capital expenditure (RON mn)	2019	2018	Δ (%)
Upstream	3,269	3,150	4
Downstream	903	1,138	(21)
thereof Downstream Oil	818	1,112	(26)
thereof Downstream Gas	85	26	230
Corporate and Others	53	1	n.m.
Total capital expenditure	4,225	4,289	(2)
+/- Other adjustments ¹	589	54	n.m.
- Investments in financial assets	(0)	(9)	(99)
Additions according to statement of non-current assets (intangible and tangible assets) ²	4,814	4,334	11
+/- Non-cash changes ³	(879)	(7)	n.m.
Cash outflow due to investments in intangible and tangible assets	3,935	4,327	(9)
+ Net inflow from sale/investment in subsidiaries, non-current assets and other financial assets	(379)	(67)	466
Net cash used for investing activities	3,556	4,261	(17)

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

² Additions in 2019 do not include the recognition of right-of-use asset resulted from the first-time application of IFRS 16 Leases;

³ Additions are adjusted for items that did not affect cash flows during the period (including acquisitions through leasing, reassessment of decommissioning provisions) and changes of liabilities for investments.

Total CAPEX
down as a result
of Downstream Oil
CAPEX decline

Capital expenditure decreased by 2% to RON 4,225 mn (2018: RON 4,289 mn).

Investments in **Upstream** amounted to RON 3,269 mn and represented 77% of total Group CAPEX for 2019, being 4% higher than in 2018 mainly due to recognition of assets under IFRS 16 Leases for a long term contract, partially offset by lower exploration drilling.

Exploration expenditures decreased to RON 427 mn (2018: RON 466 mn) due to lower exploration drilling activities partially counterbalanced by seismic acquisition.

Downstream investments amounted to RON 903 mn (2018: RON 1,138 mn). Downstream Oil investments amounted to RON 818 mn (2018: RON 1,112 mn), mainly routed to Retail, as well

as to Refining for the completion of a modern, closed blowdown system at the Coker unit and for the upgrade of unloading and storage facilities for bio-blending components at Petrobrazil refinery. The yoy decrease was mainly due to high base effect,

2018 investments being directed to the Petrobrazil refinery turnaround, tie-in projects, and the Polyfuel growth project. In Downstream Gas, the 2019 CAPEX was mainly routed to works related to Brazil power plant planned shutdown in Q2/19.

Statement of financial position

Summarized consolidated statement of financial position (RON mn)	2019	2018	%
Assets			
Non-current assets	34,933	33,549	4
Intangible assets and property, plant and equipment	31,077	29,808	4
Investments in associated companies	27	58	(54)
Other non-current assets	2,338	2,249	4
Deferred tax assets	1,491	1,433	4
Current assets (incl. Assets held for sale)	12,563	10,235	23
Inventories	2,464	2,152	15
Trade receivables	1,892	1,674	13
Assets held for sale	217	129	68
Other current assets	7,989	6,281	27
Total assets	47,495	43,784	8
Equity and liabilities			
Total equity	33,501	31,368	7
Non-current liabilities	8,197	6,867	19
Provisions for pensions and similar obligations	241	211	14
Interest-bearing debts	198	282	(30)
Provisions for decommissioning and restoration obligations	6,456	5,993	8
Provisions and other liabilities	1,282	361	255
Deferred tax liabilities	21	20	5
Current liabilities (incl. Liabilities associated with assets held for sale)	5,797	5,549	4
Trade payables	3,372	3,050	11
Interest-bearing debts	132	267	(51)
Liabilities associated with assets held for sale	224	103	117
Provisions and other liabilities	2,068	2,128	(3)
Total equity and liabilities	47,495	43,784	8

Lease liabilities up
following IFRS 16
Leases implementation

Compared to December 31, 2018, **total assets** increased by RON 3,711 mn, to RON 47,495 mn, mainly driven by a higher cash and cash equivalents position and by the increase in property, plant and equipment. Additions to intangible assets and property, plant and equipment amounted to RON 4,814 mn (2018: RON 4,334 mn).

The increase in **total equity** by RON 2,133 mn was the result of the net profit generated in the current year, partially offset by the dividends distributed for the 2018 financial year in a gross amount of RON 1,529 mn.

As at December 31, 2019, **total liabilities** increased by RON 1,578 mn compared to the December 31, 2018 value, mainly due to an increase in **non-current liabilities** by RON 1,330 mn as a consequence of the reassessment of provisions for decommissioning and restoration

obligations and the set-up of a provision for soil remediation in relation to the Arpechim refinery site.

Lease liabilities increased by RON 532 mn mainly following the implementation of IFRS 16 Leases, while total interest-bearing debts decreased to RON 330 mn as of December 31, 2019, from RON 549 mn as of December 31, 2018, mainly due to repayment of loans.

The net increase in **assets held for sale** and **liabilities associated with assets held for sale** is due to reaching an agreement to transfer 40 marginal onshore oil and gas fields and reclassification of the related assets and liabilities as held for sale, partially counterbalanced by the closing in 2019 of the transfer for 9 marginal fields.

OMV Petrom Group reached a **net cash** position of RON 5,982 mn (2018: RON 4,891 mn).

Cash flow

Summarized consolidated cash-flow statement (RON mn)	2019	2018
Sources of funds	7,059	7,353
Cash flow from operating activities	6,803	7,385
Cash flow from investing activities	(3,556)	(4,261)
Free cash flow	3,246	3,125
Cash flow from financing activities	(1,844)	(1,495)
Effect of exchange rates on cash and cash equivalents	1	1
Net increase in cash and cash equivalents	1,404	1,630
Cash and cash equivalents at beginning of the period	5,609	3,979
Cash and cash equivalents at end of the period	7,014	5,609
Free cash flow after dividends	1,730	2,002

Switch from cash
inflow in 2018 to cash
outflow in 2019

In 2019, the inflow of funds from profit before tax, adjusted for non-cash items such as depreciation and impairments, net change of provisions and other non-monetary adjustments, as well as net interest received and income tax paid was RON 7,059 mn (2018: RON 7,353 mn). Changes in **net working capital** generated a cash outflow of RON 256 mn (2018: inflow of RON 32 mn). **Cash flow**

from operating activities decreased by RON 583 mn compared to 2018, reaching RON 6,803 mn, reflecting the lower operating result and the increase of the net working capital.

In 2019, the **cash outflow from investing activities** amounted to RON 3,556 mn (2018: RON 4,261 mn) mainly related to investments in intangible assets and property, plant and

equipment, largely in the Upstream segment, offset to some extent by the partial collection of the receivable in relation to the government grant for Brazil power plant investment.

Cash flow from financing activities reflected an outflow of funds amounting to RON 1,844 mn (2018: RON 1,495 mn), mainly arising from the payment of dividends of RON 1,516 mn and the repayment of loans.

Free cash flow (defined as cash flow from operating activities less cash flow from investing activities) showed an inflow of funds of RON 3,246 mn (2018: RON 3,125 mn). **Free cash flow less dividend payments** resulted in a cash inflow of RON 1,730 mn (2018: RON 2,002 mn).

Risk management

Risk prevention is deeply integrated into the decision-making processes of everyday business activities at every level of our organization.

The Executive Board sets, communicates, and implements our risk management culture throughout the Group. The risk management process, implemented through OMV Petrom's Enterprise – Wide Risk Management (EWRM) framework, combines bottom-up and top-down processes, with every single employee responsible for managing the risks within their area of responsibilities. Paying attention to every risk makes risk management a holistic process. We use common risk terminology across OMV Petrom in order to facilitate effective risk communication and management.

To ensure that management takes risk-informed decisions, with adequate consideration of actual and prospective risks, the Executive Board has empowered a dedicated Risk Management function with the objective to lead and coordinate the Company's risk management-related processes. OMV Petrom's consolidated risk profile is regularly reported for the Executive Board's endorsement and for the information of the Supervisory Board's Audit Committee.

The risks identified in the bottom-up risk assessment process by operational staff during day-to-day business management are assessed against a mid-term time horizon of three years. Senior management evaluates top-down risks

against a long-term time horizon of three to seven years. Together, they provide a strategic perspective of risks across a longer time horizon.

The risk management process is based on a precautionary, systematic approach, aimed at timely identification and management of risks in order to avoid a possible negative impact on our business or reputation. We believe that creating a risk-aware culture throughout the organization, where everyone is aware of the risks related to their jobs and implements risk management practices on a daily basis, is the most effective way to avoid a negative impact. To this end, our comprehensive EWRM program is driven by senior management and cascades to every employee of the Company. It ensures greater awareness and focus on risks that might affect the Company's objectives.

OMV Petrom's EWRM system complies with the ISO 31000 Risk Management International Standard and comprises a dedicated risk organization working under a robust internal regulation framework with a high-end information technology infrastructure. Additionally, the EWRM system actively pursues the identification, analysis, evaluation, and mitigation of main risks in order to manage their effects on the Company's cash flow up to an acceptable level agreed as per the risk appetite.

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

Four levels of risk management roles

95% confidence level and three-year horizon to measure potential losses of the risk portfolio

The risks within OMV Petrom's EWRM system are organized into the following categories: market and financial, operational, and strategic. These categories include, among others, market, financial, project, process, health, safety and security, tax, compliance, personnel, legal, regulatory, and reputational risks.

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

Market and Financial Risks

OMV Petrom's key financial and non-financial exposures are generated by the commodity market price risk, foreign exchange risk, and operational risks in connection with low-probability, high-impact hazards. Other risks that influence the Company's results are counterparty credit risk, liquidity risk, and interest rate risk.

As regards mid-term liquidity, the objective of OMV Petrom's risk management system is to secure its capacity to deliver positive economic value added by managing the Company's risks and their potential cash flow impact within the limits of the risk appetite. High potential single event risks as well as long-term strategic risks are also identified, evaluated, analyzed, and managed consistently.

In regard to the market price risk, OMV Petrom is naturally exposed to the price-driven volatility of cash flows generated by production, refining, and marketing activities associated with crude oil, oil products, gas, and electricity. Market risk has core strategic importance within OMV Petrom's risk profile and liquidity. The market price risks of OMV Petrom commodities are closely analyzed, quantified, and evaluated.

In terms of foreign exchange risk management, OMV Petrom is essentially exposed to the

volatility of RON against USD and EUR. The effect of foreign exchange risk on cash flows is regularly monitored.

Derivative financial instruments may be used for the purposes of managing exposure to commodity price and foreign exchange currencies upon approval from OMV Petrom's Executive Board in line with the Company's risk appetite and/or risk assessments.

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

To assess short-term liquidity risk, the budgeted operating and financial cash inflows and outflows throughout OMV Petrom are monitored and analyzed on a monthly basis in order to establish the expected net change in liquidity. This analysis provides the basis for financing decisions and capital commitments. For mid-term risks, to ensure that OMV Petrom always remains solvent and retains the necessary financial flexibility, liquidity reserves in the form of committed credit lines are maintained.

OMV Petrom is inherently exposed to interest rate risk due to its financing activities. The volatility of EURIBOR and ROBOR may trigger less or additional cash flow resources necessary to finance the interest payments associated with OMV Petrom's debt. However, the risk and the mentioned volatility are low.

Operational Risks

From an operational risk perspective, OMV Petrom is an integrated company with a wide asset base composed mainly of hydrocarbon production and processing plants. A special

focus is given to process safety risks where OMV Petrom's policy is "Zero harm, No losses". The low-probability, high-impact risks associated with the operational activity (e.g. blowouts, explosions, earthquakes, etc.) are identified and incident scenarios are developed and assessed for each of them. Where required, mitigation plans are developed for each specific location. Besides emergency, crisis, and disaster recovery plans, OMV Petrom's policy regarding insurable risks is to transfer the risks via insurance instruments. These risks are closely analyzed, quantified, and monitored by the risk organization and are managed via detailed internal procedures.

OMV Petrom's risk management system is part of the corporate decision-making process. Risks associated with new major projects or important business initiatives are assessed and communicated to management prior to

the approval decision, as part of the project evaluation process.

Strategic risks

From a long-term sustainability perspective, a strategic risk assessment process is in place, on the one hand, to capture the executive management's perspective of the risk environment across a long-time horizon and, on the other hand, to develop risk mitigation plans and monitor implementation of defined actions. The strategic risks refer to both externally and internally driven risks (e.g. oil and gas market volatility, climate change, political, regulatory, human capital, technology and innovation). An annual strategic risk assessment ensures a robust revalidation of identified risks. It captures new developments or provides updated information on the operating environment and industry trends, and thereby has a positive impact on the Company's ability to achieve its objectives.

Annual strategic risk assessments in place

Strategic risks



Climate change related long-term risks are part of strategic decision-making

In relation to political and regulatory risk, the Company is in dialogue with the Romanian authorities on topics of relevance for the industry and monitors regulatory developments. In 2019, we have seen several fiscal and regulatory initiatives put in discussion and/or implemented. This increases legislative volatility with influence on the overall business environment. As far as compliance risks are concerned, the Company organizes regular training sessions and awareness campaigns.

Climate Change Risk Management

Climate-change-related risks and opportunities are integrated into OMV Petrom's EWRM process aimed at identifying, assessing, and managing business-related risks. The short- and medium-term risks are analysed for their impact on the Company's three-year financial plan. The effects of long-term risks are evaluated based on a qualitative analysis, taking into account a wider range of uncertainty.

The management pays close attention to climate-change-related long-term risks and opportunities and takes these into account in strategic decision-making. Risks are identified

in a bottom-up approach by the employees responsible for our day-to-day business, and in a top-down approach by the corporate units responsible for monitoring regulatory, market, and reputational risks in line with the latest national and international developments. These risks are assessed in terms of their potential impact on the medium-term financial performance plan. In the bottom-up approach, climate-change related risks are identified using the standardized methodology of the EWRM process.

Internal control

The Group has implemented an internal control system which includes activities aiming at preventing or detecting undesirable events and risks, such as fraud, errors, damages, non-compliance, unauthorized transactions, and misstatements in the financial reporting. OMV Petrom's internal control system covers all areas of Group operations with the following goals:

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

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

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

OMV Petrom's successful management and operations mean creating value for all stakeholders and require systematically and transparently managing the Company while applying the best corporate governance principles. To attain this objective, OMV Petrom has implemented a rigorous Management System.

The Management System represents the set of policies, processes and regulations whose purpose is to manage and control the organization in order to achieve its objectives through optimized utilization of resources.

The Management System provides a structured framework of processes and regulations and describes what the company does, how it is organized, how it manages its business and who is responsible for what. It also ensures the continuous improvement of OMV Petrom's competitiveness by providing appropriate methods and tools.

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

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

The Group has an Accounting Manual that is implemented consistently in all Group companies to ensure the application of uniform accounting for the same business cases. The Group Accounting Manual is updated regularly based on changes in International Financial Reporting Standards. Furthermore, the organization of the Accounting and Financial Reporting departments is set up to achieve a high-quality financial reporting process. Roles and responsibilities are specifically defined and a revision process – the “four-eye principle” – is applied to ensure the correctness and accuracy of the financial reporting process.

The establishment of Group-wide standards for the preparation of annual and interim financial statements by means of the Group Accounting Manual is also regulated by an internal corporate guideline.

In accordance with Chapter 8 of the Ministry of Public Finance Order no. 2844/2016 for approval of Accounting Regulations according to International Financial Reporting Standards, transposing Chapter 10 of the Accounting Directive (2013/34/EU) of the European Parliament and of the Council, management prepared a consolidated report on payments to governments for the year 2019. This report will be published together with the consolidated financial statements of OMV Petrom for the year ended December 31, 2019.

Subsequent events

Please refer to Note 38 in the Consolidated Financial Statements.

Outlook 2020

The outbreak of coronavirus (COVID-19) and the efforts to contain it are expected to affect the global economy and, as a result, to have an impact on prices and demand of oil products and crude oil; however, as it is not possible to quantify it at this moment, such impact is not included in the outlook below.

For the full year 2020, OMV Petrom expects the **average Brent oil price** to be at USD 60/bbl.

We expect the **refining margins** to be above USD 5/bbl. Also the **demand for oil products** is expected to be above the 2019 level, while the **demand for gas and power** to be broadly similar to 2019.

A stable, predictable, and investment-friendly fiscal and regulatory framework is a key requirement for our future investments, both onshore and offshore.

Amendments of GEO 114/2018 and GEO 19/2019, providing for a faster return to a liberalized market, have already been implemented via GEO 1/2020; the changes refer to the timing of the price liberalization: as of July 1, 2020 for gas and January 1, 2021 for electricity; in addition, the

COVID-19 impact not included in the 2020 outlook

Faster return to a liberalized market brought by GEO 1/2020

CAPEX currently
planned at RON 4.2 bn

2% financial contribution to ANRE was repealed starting January 1, 2020.

According to public statements, the Romanian authorities are working on changing the Offshore Law through a parliamentary process.

At **OMV Petrom Group** level, we expect to generate a **positive free cash flow after dividends**. **CAPEX** (including capitalized exploration and appraisal) is currently anticipated to be around RON 4.2 bn, excluding acquisitions. With regards to our **Neptun Deep strategic project**, we outline that we remain keen to see it developed and we welcome the acceleration of the return to a liberalized market brought by the GEO 1/2020. However, changes to the Offshore Law are needed in order to move the project forward.

Within our **partnership with Auchan**, we continued the pilot phase of the cooperation, by adding two new filling stations with an innovative approach to design, reaching a total of 17 MyAuchan stations. Negotiations for opening convenience stores in more Petrom-branded filling stations are ongoing.

A **sustainable cost base**, supported by ongoing efficiency programs, is important in the context of the current market volatility and challenging regulatory environment. In order to protect our cash flows and margins from commodity price risk, we use various **hedging products**, especially in Downstream.

We are focused on energy efficiency and decreasing the emissions of our operations, thus we target to **reduce carbon intensity** by 27% vs. 2010 until 2025.

In **Upstream**, we aim to maintain production decline below 5% vs. 2019, excluding portfolio optimization. We will continue to focus on the most profitable barrels; as such, we expect to close the transfer of 40 marginal fields to Dacian Petroleum in the second part of 2020. We will continue to simplify our footprint and focus on our strategic assets. We plan investments of around

RON 3.0 bn for drilling around 100 new wells and sidetracks and maintaining a constant level of workovers vs. 2019. In addition, we target near field and enhanced oil recovery opportunities to improve ultimate recovery factors. Furthermore, we are continuously focusing on upgrading the critical infrastructure as well as modernizing and automating our facilities towards the latest standards in the oil and gas industry, for which we plan to invest more than EUR 70 mn in 2020. As to exploration expenditures for 2020, estimated at around RON 0.3 bn, we aim to complete more than 1,500 km² of 3D seismic survey in the exploration block VIII-Urziceni East together with Hunt Oil Company of Romania S.R.L. as operator, as well as to evaluate the potential of already drilled exploration wells. As part of our regional expansion endeavors, we expect to close the acquisition of 30% stake in the Han Asparuh offshore Bulgaria license (through acquiring all the shares in OMV Offshore Bulgaria GmbH from OMV Exploration & Production GmbH) by mid-2020.

In **Downstream Oil**, the refinery utilization rate is expected to be above 90%, including a two-week planned shutdown in Q2 for maintenance works.

In **Downstream Gas**, we expect slightly lower gas sales volumes and net electrical output vs. 2019. OMV Petrom Group has an allocation to supply the regulated gas market with 5.5 TWh for the period January - March 2020 at the maximum price of RON 68/MWh; the regulated gas volumes for Q2/20 are still to be announced. The Brazi power plant is no longer required to supply the regulated power market in 2020, as per current allocation. Also, a two week planned shutdown for the entire capacity will take place in Q2/20.

Non-financial declaration

As per the legal requirements with reference to the disclosure of non-financial information, the Company prepares and publishes a separate Sustainability Report, which includes the information required for the non-financial declaration, describing our sustainability initiatives. OMV Petrom's Sustainability Report for 2019 will be published by June 30, 2020.

Production decline
below 5% yoy

Corporate governance report

The Company has always conferred great importance upon the principles of good corporate governance considering corporate governance a key element underpinning the sustainable growth of the business and also the enhancement of long-term value for shareholders.

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

Since 2007, the Company has been governed in a two-tier system in which the Executive Board manages the daily business and operations of the Company, whereas the Supervisory Board appointed by the shareholders monitors, supervises and controls the activity of the Executive Board. The powers and duties of the above-mentioned bodies are stated in the Company's Articles of Association, available on the website (www.omvpetrom.com) and in the relevant internal regulations and are briefly detailed herein.

The Company is managed in an atmosphere of openness between the Executive Board and Supervisory Board, as well as within each of these corporate bodies. A transparent decision-making process, relying on clear and objective rules, enhances shareholders' confidence in the Company and its management. It also contributes to the protection of shareholders' rights, improving the overall performance of the Company and providing better access to capital and risk mitigation.

The members of the Executive Board and Supervisory Board have always paid due attention to their duty of care and loyalty. Hence, the Executive Board and Supervisory Board have passed their resolutions as required for the welfare of the Company, primarily in consideration of the interests of shareholders and employees.

Bucharest Stock Exchange Corporate Governance Code

The Company first adhered to the Corporate Governance Code issued by the Bucharest Stock Exchange in 2010 and has continued to apply its principles, ever since then.

OMV Petrom complies with almost all of the provisions set forth in the Corporate Governance Code issued by the Bucharest Stock Exchange that entered into force on January 4, 2016. More details on the Company's compliance status with the principles and recommendations stipulated under the Corporate Governance Code issued by the Bucharest Stock Exchange are presented in the corporate governance statement, which is a part of this Annual Report.

High corporate governance standards since 2010

General Meeting of Shareholders (GMS)

GMS organization

The GMS is the highest deliberation and decision forum of a company. The main rules and procedures of the GMS are laid down in the Company's Articles of Association and in the Rules and Procedures of the GMS, both published on the Company's corporate website, as well as in the relevant GMS convening notice.

The GMS is convened by the Executive Board whenever this is necessary. In exceptional cases, when the Company's interest requires it, the Supervisory Board may also convene the GMS. At least 30 days before the GMS, the convening notice is published in the Official Gazette and in one widely-distributed newspaper in Romania and disseminated to the Financial Supervisory Authority and Bucharest and London Stock Exchanges. At the same time, the convening notice will be also made available on the Company's website, together with all explanatory and supporting documents related to items included on the relevant GMS agenda.

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

At the first convening, the quorum requirements are met if the shareholders representing more than half of the share capital of the Company are present, with decisions being validly passed with

the affirmative vote of shareholders representing the majority of share capital of the Company. The same rules apply both to the Ordinary and Extraordinary GMS. The Ordinary GMS held at the second convening may validly decide on the issues included on the agenda of the first scheduled meeting, irrespective of the number of attending shareholders, by the majority of the votes expressed in such a meeting. For the Extraordinary GMS held at the second convening, the quorum and majority requirements are the same as for the first convening. Where the mandatory legal provisions set out otherwise, the quorum and majority requirements shall be carried out in accordance with such legal provisions.

In observance of capital market regulations, the resolutions of the GMS are disseminated to the Bucharest and London Stock Exchanges and the Financial Supervisory Authority within 24 hours after the event. The resolutions will also be published on the Company's website.

The Company actively promotes the participation of its shareholders in the GMS. The shareholders duly registered in the shareholders' register at the reference date may attend the GMS in person or by representation, based on a general or special proxy. Shareholders may also vote by correspondence, prior to the GMS. The Company makes available at the headquarters and/ or on the Company's website templates of such proxies and voting bulletins for votes by correspondence.

The shareholders of the Company, regardless of their participation held in the share capital, may raise questions in writing or verbally regarding the items on the agenda of the GMS. To protect the interests of our shareholders, the answers to the questions shall be provided by observing the regulations applicable to special regime information (e.g. classified information), as well as of disclosure of commercially sensitive information that could result in losses or a competitive disadvantage for the Company.

GMS main duties and powers

The main duties of the **Ordinary GMS** are:

- ▶ to discuss, approve or modify the annual

financial statements;

- ▶ to distribute the profit and establish the dividends;
- ▶ to elect and revoke the members of the Supervisory Board and the financial auditor;
- ▶ to establish the remuneration of the members of the Supervisory Board and of the financial auditor;
- ▶ to assess the activity of the Executive Board members and of the Supervisory Board members, to evaluate their performance and to discharge them of their liability in accordance with the provisions of law;
- ▶ to approve the income and expenditure budget for the next financial year.

The Extraordinary GMS is entitled to decide mainly upon:

- ▶ changing the corporate form or the business object of the Company;
- ▶ increasing or reducing the share capital of the Company;
- ▶ spin-offs or mergers with other companies;
- ▶ early dissolution of the Company;
- ▶ converting shares from one class into another;
- ▶ amendments to the Articles of Association.

Shareholders' rights

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

Shareholders have, among other rights provided under the Company's Articles of Association and the laws and regulations currently in force, the right to obtain information about the activities of the Company, regarding the exercise of voting rights and the voting results in the GMS.

In addition, shareholders have the right to participate and vote in the GMS, as well as to receive dividends. OMV Petrom observes the one share, one vote, one dividend principle. There are no preference shares without voting rights or shares conferring the right to more than one vote.

Moreover, shareholders have the right to challenge the decisions of GMS or withdraw from the Company and request the Company acquire their shares, in certain conditions mentioned by

the law. Likewise, one or more shareholders holding, individually or jointly, at least 5% of the share capital, may request the calling of a GMS. Such shareholders also have the right to add new items to the agenda of a GMS, provided such proposals are accompanied by a justification or a draft resolution proposed for approval and copies of the identification documents of the shareholders who make the proposals.

Rights of GDR holders

As endorsed on each GDR certificate, GDR holders have the rights set out in the terms and conditions of the GDRs. These include the right to:

- ▶ withdraw the deposited shares;
- ▶ receive payment in US dollars from the GDR depositary of an amount equal to cash dividends or other cash distributions received by the GDR depositary from the Company in respect of the deposited shares, net of any applicable fees, charges and expenses of the depositary and any taxes withheld;
- ▶ receive from the GDR depositary additional GDRs representing additional shares received by the GDR depositary from the Company by way of free distribution (or if the issue of additional GDRs is deemed by the GDR depositary not to be reasonably practicable or to be unlawful, the net proceeds in US dollars of the sale of such additional shares);
- ▶ request the GDR depositary to exercise subscription or similar rights made available by the Company to shareholders (or if such process is deemed by the GDR depositary not to be lawful and reasonably practicable, the right to receive the net proceeds in US dollars of the sale of the relevant rights or the sale of the assets resulting from the exercise of such rights);
- ▶ instruct the GDR depositary regarding the exercise of any voting rights notified by the Company to the GDR depositary subject to certain conditions;
- ▶ receive from the GDR depositary copies received by the GDR depositary of notices provided by the Company to shareholders or other material information.

Supervisory Board

Supervisory Board members

The Supervisory Board consists of nine members who were appointed by the Ordinary GMS, in accordance with the provisions of Company Law and the Articles of Association. The Supervisory Board's current mandate started in 2017 and ends on April 28, 2021.

Supervisory Board's
current mandate ends
on April 28, 2021

Herein below is the composition of the Supervisory Board at the end of 2019:

Rainer Seele (1960) – President

After completing his studies at the University of Göttingen, where he obtained a doctorate in Chemistry, Rainer Seele joined BASF Aktiengesellschaft, initially as a research scientist. After working in several different functions between 1987 and 1996, he was appointed Head of Group Chemical Research and Head of Planning and Controlling at the research division of BASF Aktiengesellschaft. In 1996 he became Head of Strategic Planning at Wintershall AG in Kassel and in 2000 he became a member of the Executive Board at WINGAS GmbH. Later on, in 2002, Rainer Seele was also appointed Chairman of the Board of Executive Directors of WINGAS GmbH, and in 2009, he became Chairman of the Wintershall Board. Starting July 1, 2015, Rainer Seele has been CEO and Chairman of the OMV Aktiengesellschaft Executive Board. Rainer Seele was appointed as member of the OMV Petrom Supervisory Board as of 7 July 2015.

Reinhard Florey (1965) – Deputy President

Reinhard Florey graduated with a degree in Mechanical Engineering and Economics from Graz University of Technology while also completing his music studies at the Graz University of Fine Arts. He then started his career in corporate and strategy consulting. Until 2002, he worked for McKinsey & Company, Austria, and from 2002 to 2012 he occupied different management positions worldwide for Thyssen Krupp AG. In January 2013, Reinhard Florey joined Outokumpu OYJ, Finland, first as Executive Vice President Strategy and

Integration, and, starting November 2013, as CFO and Deputy CEO. Since July 1, 2016, Reinhard Florey has been the CFO of OMV Aktiengesellschaft.

Reinhard Florey was appointed as member of the OMV Petrom Supervisory Board as of 1 August 2016.

Thomas Gangl (1971)

Thomas Gangl graduated in chemical engineering from Vienna University of Technology and also in mechanical engineering from the University of Salford (Manchester). He started his career with OMV in 1998 as process engineer within the Schwechat Refinery where he held various management positions over the years. Since 2016, Thomas Gangl has been Senior Vice President Business Unit Refining & Petrochemicals, being responsible for all three OMV refineries. As of July 1, 2019, Thomas Gangl is Member of the Executive Board of OMV Aktiengesellschaft, responsible for Refining & Petrochemical Operations.

Thomas Gangl was appointed as interim member of the OMV Petrom Supervisory Board starting July 1, 2019 and confirmed by the Ordinary GMS on March 3, 2020.

Johann Pleininger (1962)

Johann Pleininger studied mechanical and economic engineering and began his career at OMV in 1977. From 2007 to 2013 he was Executive Board member responsible for Exploration & Production at OMV Petrom. Most recently, he has been the Senior Vice President responsible for the core Upstream countries Romania, Austria, as well as the development of the Black Sea Region. Since September 1, 2015 he has been a member of the OMV Executive Board and is responsible for Upstream (Exploration & Production). As of July 1, 2017 Mr. Pleininger was appointed also Deputy Chairman of the OMV Executive Board.

Johann Pleininger was appointed as interim member of the OMV Petrom Supervisory Board starting August 10, 2019 and confirmed by the Ordinary GMS on March 3, 2020.

Daniel Turnheim (1975)

Daniel Turnheim studied Business Administration

at the Vienna University of Economics and Business Administration. In 2002, he joined OMV Group where he held several management positions. He was Executive Board member and CFO of OMV Petrom between January 2011 and December 2012. From January 2013 to June 2016, he was Senior Vice President of Corporate Finance within the OMV Aktiengesellschaft. Since July 2016 he has held the position as Senior Vice-President of Corporate Finance & Controlling within the OMV Aktiengesellschaft.

Daniel Turnheim was appointed as member of OMV Petrom Supervisory Board as of 1 January 2017.

Sevil Shhaideh (1964) – independent ^{xiii}

Sevil Shhaideh graduated from the Faculty of Economics, Planning and Cybernetics at the Academy of Economic Sciences from Bucharest and earned a master's degree in the Management of Business Projects from the Ovidius University, Constanta. Moreover, she is specialized in a variety of fields such as project management, public administration, quality management and financial auditing. Sevil Shhaideh has 20 years of experience as a public servant within local public administration. Starting 2012, she held various positions within the Government of Romania, such as State Secretary and Minister within the Ministry of Regional Development and Public Administration and Vice Prime Minister and Minister of Regional Development, Public Administration and European Funds. Her main responsibilities involved regional development, European projects management and public administration activities. Sevil Shhaideh was appointed as member of the OMV Petrom Supervisory Board as of 26 October 2017.

Radu-Spiridon Cojocaru (1947) – independent ^{xiii}

Radu-Spiridon Cojocaru graduated from the Faculty of Applied Electronics, at the Politehnic Institute of Bucharest. He is a founding member of the National Association for Securities Market Development, contributing from his position as member of the Board of Directors to the establishment of specific institutions such as the National Securities Commission (currently the Financial Supervisory Authority), Bucharest Stock Exchange, Central Depository, RASDAQ

^{xiii} Independent member as per the criteria of the Bucharest Stock Exchange Corporate Governance Code, criteria which are substantially similar to those provided by Company Law.

(Romanian Association of Securities Dealers Automated Quotation).

Starting 1990, he held various positions within the management structures of some Romanian companies. He also held the position of Member of the Chamber of Deputies within the Romanian Parliament between 1996 and 2000, and was a member of the Commission for Economic Policies, Reform and Privatization where he contributed to the framing of the legislation in the field, including the budget, and to the supervision of some public bodies under the control of Parliament. He was a member of the presidential commission for the Romania's Country Program between 2016 and 2018. Between 2018-2019, he was member of the National Committee for Substantiation of the National Euro Changeover Plan.

Radu-Spiridon Cojocaru was appointed as member of the OMV Petrom Supervisory Board as of 28 April 2017.

Joseph Bernhard Mark Mobius (1936) – independent ^{xiv}

Mark Mobius earned a bachelor's and master's degrees from Boston University and a Doctor of Philosophy (Ph. D) in Economics and Political Science from the Massachusetts Institute of Technology. He has spent more than 40 years working in emerging markets all over the world. He joined Franklin Templeton in 1987 as president of Templeton Emerging Markets Fund, Inc. In 1999, he was appointed joint chairman of the Global Corporate Governance Forum Investor Responsibility Taskforce of the World Bank and Organization for Economic Cooperation and Development. Mark Mobius was the Executive Chairman of Templeton Emerging Markets Group, which directed the analysts of Franklin Templeton's 18 emerging market offices and managed the emerging markets' portfolios. After his departure from Franklin Templeton in January 2018, Mark Mobius established a new firm Mobius Capital Partners LLP, as a Co-Founder in March 2018. Mark Mobius was appointed as member of OMV Petrom Supervisory Board as of 29 April 2010.

Jochen Weise (1956) – independent ^{xiv}

Jochen Weise graduated in Law from the University of Bonn, Germany, where he also received his PhD. He has held non-executive

positions as a Supervisory Board member of the Verbundnetzgas AG in Leipzig, Germany since December 2014 and as Senior Advisor Energy Infrastructure Investments at Allianz Capital Partners in London since November 2010.

Previously, he was member of the Management Board, between April 2004 and August 2010, Executive Vice President Gas Supply & Trading, between January 2003 to March 2004, at E.ON Ruhrgas AG, and Director Commercial Sales at Deutsche Shell GmbH, between April 1998 and December 2001.

Jochen Weise was appointed as member of OMV Petrom Supervisory Board as of 1 November 2016.

In the Ordinary GMS of 3 March 2020, a new member in the Supervisory Board was appointed further to the revocation of Sevil Shhaideh, namely Niculae Havrileț. Below is a brief presentation of Niculae Havrileț:

A new Supervisory Board member appointed in 2020

Niculae Havrileț (1956)

Niculae Havrileț graduated the Technical University Cluj Napoca, Faculty of Mechanical Engineering – Technologies. Niculae Havrileț has over 35 years of experience in electricity field and natural gas, including over 20 years of experience in various leading positions. Moreover, Niculae Havrileț holds large experience in central public administration. Between 2012-2017, he has been the President of the National Energy Regulatory Authority (ANRE), including member of the Regulatory Authorities Council within the Agency for the Cooperation of Energy Regulators (ACER) and member of the General Meeting of the Council of European Energy Regulators (CEER). As of December 2019, Niculae Havrileț is state secretary within the Ministry of Economy, Energy and Business Environment. In 2000, he has received the "Order of the Star of Romania" Knight.

Main duties and powers of the Supervisory Board

The Supervisory Board has the following main powers:

- ▶ to exercise control over the management of the Company by the Executive Board;
- ▶ to appoint and revoke the members of the Executive Board;

^{xiv} Independent member as per the criteria of the Bucharest Stock Exchange Corporate Governance Code, criteria which are substantially similar to those provided by Company Law.

- ▶ to submit to the GMS a report concerning the supervision activity undertaken;
- ▶ to verify the reports of the members of the Executive Board;
- ▶ to verify the Company's annual separate and consolidated financial statements;
- ▶ to propose to the GMS the appointment and the revocation of the independent financial auditor, as well as the minimum term of the audit contract.

Details on the Supervisory Board works and activities in 2019, as well as the results of the Supervisory Board self-evaluation are included in the Supervisory Board Report.

Supervisory Board organization

The responsibilities of the members of the Supervisory Board, as well as the working procedures and the approach to conflicts of interest are governed by relevant internal regulations.

The Supervisory Board meets whenever necessary, but at least once every three months. The Supervisory Board may hold meetings in person or by telephone or video conference. At least five of the Supervisory Board members must be present for resolutions to be validly passed. The decisions of the Supervisory Board shall be validly passed by the affirmative vote of the majority of the members present or represented at such Supervisory Board meeting. In the event of parity of votes, the President of the Supervisory Board or the person empowered by him/her to chair the meeting shall have a casting vote. In urgent cases, the Supervisory Board may take decisions by circulation, without an actual meeting being held, by the majority of votes. The President shall decide on whether issues are of an urgent nature.

Special committees

The Supervisory Board may assign particular issues to certain Supervisory Board members, acting individually or as part of special committees, and may also refer to experts to analyze certain issues. The task of the committees is to issue recommendations for preparing resolutions to be passed by the Supervisory Board itself, without

preventing the entire Supervisory Board from dealing with matters assigned to the committees. The special committees established at the level of the Supervisory Board are the Audit Committee and the Presidential and Nomination Committee.

Audit Committee

The Audit Committee is composed of four members appointed by decision of the Supervisory Board from among its members.

During 2019, there were no changes as regards the members of the Audit Committee. However, starting April 19, 2019, in order to increase the level of compliance with the provisions of the Corporate Governance Code, the Supervisory Board approved the following change: Jochen Weise, who previously held the position of Deputy President of the Audit Committee, was appointed as President of the Audit Committee, while Reinhard Florey, who previously held the position of President of the Audit Committee, was appointed as Deputy President of the Audit Committee.

Therefore, at the end of 2019, the Audit Committee consisted of the following members: Jochen Weise (President - independent), Reinhard Florey (Deputy President), Sevil Shhaideh (member – independent) and Radu-Spiridon Cojocaru (member – independent).

Following Sevil Shhaideh's revocation as of 3 March 2020 of her mandate as member of the Supervisory Board (and consequently the cease of the position in the Audit Committee) and the appointment of Niculae Havrileț as member of the Supervisory Board as of 3 March 2020, Niculae Havrileț was also appointed as member of the Audit Committee as of 13 March 2020 and until the expiration of the mandate of the current Supervisory Board, namely until 28 April, 2021. Therefore, at the date of this report, following this change in the Supervisory Board membership, the Audit Committee has the following composition Jochen Weise (President - independent), Reinhard Florey (Deputy President), Niculae Havrileț (member) and Radu-Spiridon Cojocaru (member - independent).

The Audit Committee's members have adequate qualifications relevant to the functions and responsibilities of the Audit Committee. In addition, one member has also the necessary financial, auditing and accounting expertise.

Main duties and powers of the Audit Committee

The main duties and powers of the Audit Committee according to the Audit Committee's Terms of Reference focus on four main areas:

- ▶ Financial reporting – to examine and review the annual financial statements of the Company and the proposal for the distribution of the profits before their submission to the Supervisory Board and subsequently to the GMS for approval; to oversee and approve the nature and level of non-audit services provided by the independent financial auditor to the Company, as well as the issuance of regulations/guidelines with regard to such services;
- ▶ External audit – to consider and make recommendations to the Supervisory Board on the appointment, re-appointment and removal of independent financial auditors, subject to approval by the shareholders;
- ▶ Internal audit, internal controls and risk management – to undertake an annual assessment of the system of internal control;
- ▶ Compliance, conduct and conflicts of interest – to review conflicts of interests in transactions of the Company and its subsidiaries with related parties and examine and review, before their submission to the Supervisory Board for approval, related party transactions that exceed or may be expected to exceed 5% of the Company's net assets in the previous financial year.

Details on the Audit Committee works and activities in 2019 are included in the Supervisory Board Report.

Audit Committee organization

The working procedures of the Audit Committee are stated in the Audit Committee's Terms of Reference.

The Audit Committee meets on a regular basis, at least three times per year, and on an extraordinary basis if required. The Audit Committee's meetings

are chaired by the President or, in his/her absence, by the Deputy or by another member, by virtue of a mandate from the President. The decisions of the Audit Committee shall be taken by unanimous consensus of all members of the Audit Committee. In case unanimous consensus cannot be reached with respect to a specific item on the agenda, that item will be resolved upon by the Supervisory Board without the consultative opinion of the Audit Committee.

In urgent cases, the Audit Committee may take decisions also by circulation, without an actual meeting being held, with the unanimous consensus of all members of the Audit Committee. The President shall decide on whether issues are of an urgent nature.

Presidential and Nomination Committee

The Presidential and Nomination Committee is composed of four members appointed by the Supervisory Board among its members. During 2019, there were two changes in the membership of the Presidential and Nomination Committee. Thomas Gangl was appointed as member and Deputy President of the Presidential and Nomination Committee as of July 1, 2019, following the waiver of Manfred Leitner of his mandates as member of the Supervisory Board and Deputy President of the Presidential and Nomination Committee. On August 10, 2019, Johann Pleininger was appointed as member and Deputy President of the Presidential and Nomination Committee following Thomas Gangl's waiver of his mandate as member and Deputy President of the Presidential and Nomination Committee (while still remaining Supervisory Board member).

Therefore, at the end of 2019, the Presidential and Nomination Committee consisted of the following four members: Rainer Seele (President), Johann Pleininger (Deputy President), Joseph Bernhard Mark Mobius (member - independent) and Sevil Shhaideh (member - independent).

Following Sevil Shhaideh's revocation as of 3 March 2020 of her mandate as member of the Supervisory Board (and consequently the cease of the position in the Presidential and Nomination

Two new members of the Presidential and Nomination Committee appointed in 2019

A new CFO starting
April 2019

Committee) and the appointment of Niculae Havrileț as member of the Supervisory Board as of 3 March 2020, Niculae Havrileț was also appointed as member of the Presidential and Nomination Committee as of 13 March 2020 and until the expiration of the mandate of the current Supervisory Board, namely until 28 April, 2021.

At the date of this report, following this change in the Supervisory Board membership, the Presidential and Nomination Committee has the following composition: Rainer Seele (President), Johann Pleininger (Deputy President), Joseph Bernhard Mark Mobius (member - independent) and Niculae Havrileț (member).

The main role of the Presidential and Nomination Committee is to be involved in the succession planning for the Executive Board, having full responsibility on the selection process of candidates for appointment in the Executive Board. In addition, the Presidential and Nomination Committee has the right to make recommendations concerning the proposal of candidates for appointment in the Supervisory Board.

Executive Board

Executive Board members

The Executive Board of the Company comprises five members, appointed by the Supervisory Board for a mandate of four years ending on April 17, 2023.

At the beginning of 2019, the Executive Board was composed of the following members: Christina Verchere (CEO and President), Stefan Waldner (CFO and member), Peter Rudolf Zeilinger (member in charge of Upstream activity), Radu Sorin Căprău (member in charge of Downstream Oil activity) and Franck Neel (member in charge of Downstream Gas activity).

On March 14, 2019, the Supervisory Board reappointed the following members of the Executive Board of OMV Petrom for a four-year term starting April 17, 2019 and ending on April 17, 2023: Christina Verchere as CEO

and President of the Executive Board, Peter Rudolf Zeilinger as Executive Board member in charge of Upstream activity, Radu Sorin Căprău as Executive Board member in charge of Downstream Oil activity and Franck Albert Neel as Executive Board member in charge of Downstream Gas activity. Moreover, during the same meeting, the Supervisory Board acknowledged and confirmed the appointment of Alina-Gabriela Popa as new CFO and member of the Executive Board of OMV Petrom for a four-year mandate as of April 17, 2019 and ending on April 17, 2023 (in accordance with the decision of OMV Petrom's Supervisory Board dated 26 April 2018), following the cease of Stefan Waldner's mandate as member of the Executive Board.

Therefore, at the end of 2019, as well as at the date of this report, the Executive Board has the following composition:

Christina Verchere (1971) Chief Executive Officer and President of the Executive Board

Christina Verchere holds a Master degree in Economics Science from the University of Aberdeen, Scotland. She started her career in 1993 and has spent over 20 years with an oil and gas supermajor, where she held numerous leadership positions in the UK, the US, Canada and Indonesia. From 2012 to 2014, she has been the Regional President Canada of BP located in Calgary and from 2014 to 2018, she has been the Regional President of the Asia Pacific region, located in Jakarta, Indonesia. She was appointed Chief Executive Officer and President of the Executive Board of OMV Petrom as of May 1, 2018.

Alina Gabriela Popa (1977) Chief Financial Officer

Alina Popa graduated from Bucharest Academy of Economic Studies, Faculty of Accounting and Information Systems and is a member of Association of Chartered Certified Accountants (ACCA) in the UK, Charter Certified Accountants in Romania (CECCAR) and Chamber of Financial Auditors in Romania (CAFR). She started her career with Deloitte Audit Romania and joined

Four Executive Board
members reappointed
in 2019

OMV Petrom in 2006 having held leadership positions in finance functions and coordinating important cross-functional projects. Between 2015 and 2019, she has been the General Manager and President of the Board of Directors of OMV Petrom Global Solutions, the Shared Service Center of OMV Group. She was appointed Chief Financial Officer and member of the OMV Petrom Executive Board as of April 17, 2019.

Peter Rudolf Zeilinger (1965)

Responsible for Upstream

Peter Zeilinger holds a Master of Engineering degree in Petroleum Engineering from the Technical University of Clausthal-Zellerfeld in Germany. In the past, he held various international technical and management positions within the OMV Group as well as in OMV Petrom, including the position as OMV Petrom's Head of Domestic Assets from 2008 to 2011. Prior to his return to Romania, he led the Australasia region of OMV in Wellington as Managing Director OMV New Zealand LTD and Director of OMV Australia PTY Ltd. He was appointed member of the OMV Petrom Executive Board as of April 1, 2016.

Radu-Sorin Căprău (1974)

Responsible for Downstream Oil

After graduating the Faculty of Management from the University of Economic Studies in Braşov, Radu Căprău started his career in the sales area, before joining OMV in 2000 as Area Manager for OMV Romania. Since then, he held various management positions within OMV Group in Romania and Bulgaria, being responsible for Retail, Supply & Sales and Petrom Aviation. In 2018, he was the Head of Crude Supply & Trading within OMV Refining & Marketing GmbH in Vienna. He was appointed member of the OMV Petrom Executive Board as of October 1, 2018.

Franck Albert Neel (1970)

Responsible for Downstream Gas

Franck Neel studied Energy at the University of Rouen and received an Engineer Degree and then followed a Master of Mechanical Engineering at Cranfield University in United Kingdom. Later on, he earned an Executive Degree from the London Business School. Franck Neel spent

25 years working for the Group Engie. Thus, he started his career at Gaz de France in the engineering department, where he spent seven years, and then moved to the Marketing and Sales with different functions in different countries such as France, Czech Republic, Hungary, Netherlands, Italy and United Kingdom before joining OMV Petrom. He was appointed member of the OMV Petrom Executive Board as of July 1, 2018.

Main duties and powers of the Executive Board

The main powers of the Executive Board, performed under the supervision and control of the Supervisory Board, are:

- ▶ to establish the strategy and policies regarding the development of the Company, including the organizational structure of the Company and the operational divisions;
- ▶ to submit annually for the approval of the GMS, within four months after the end of the financial year, the report regarding the business activity of the Company, the financial statements for the previous year, as well as the business activity and budget projects of the Company for the current year;
- ▶ to conclude legal acts on behalf of and for the account of the Company, with observance of matters reserved to the GMS or to the Supervisory Board;
- ▶ to hire and dismiss, and to establish the duties and responsibilities of the Company's personnel, in line with the Company's overall personnel policy;
- ▶ to undertake all the measures necessary and useful for the management of the Company, implied by the daily management of each division or delegated by the GMS or by the Supervisory Board, with the exception of those reserved to the GMS or to the Supervisory Board through operation of law or of the Articles of Association;
- ▶ to exercise any competence delegated by the Extraordinary GMS.

The Executive Board reports to the Supervisory Board on a regular basis on all relevant issues concerning the course of business, strategy

implementation, the risk profile and risk management of the Company.

Moreover, the Executive Board ensures that the provisions of the relevant capital markets legislation are complied with and implemented by the Company. Likewise, the Executive Board ensures the implementation and operation of accounting, risk management and internal controlling systems which meet the requirements of the Company.

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

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

Executive Board organization

The responsibilities of the Executive Board members, as well as the working procedures and the approach to conflicts of interest are governed by relevant internal regulations.

The Executive Board may hold meetings in person or by telephone or video conference. The meetings of the Executive Board are held regularly (at least once every two weeks, but usually every week) and whenever necessary for the operative management of the Company's daily business.

The Executive Board shall have a quorum if all members were invited and if at least three members are personally present. The Executive Board shall pass its resolutions by simple majority of the votes cast. In the event of a tie, the President shall have a casting vote. However, the

President shall endeavor in her/his best efforts to achieve that, to the extent possible, resolutions are passed unanimously.

Should the nature of the situation require it, the Executive Board can pass a resolution by circulation based on the written unanimous agreement, without an actual meeting being held. The President shall assess whether such a procedure is called for. Such a procedure may not be used for resolutions pertaining to the annual financial statements of the Company or its registered share capital.

In 2019, the Executive Board met 43 times in person and passed resolutions by circulation on 16 other occasions in order to approve all matters requiring its approval in accordance with the Articles of Association and the Company's internal regulations, as well as to allow the members of the Executive Board to discuss all significant matters concerning the Company and to inform each other about all relevant issues of their activity.

Women's advancement

The Company supports gender diversity and promotion of women in management positions although acknowledges the gender gap in oil and gas industry.

By being part of OMV Group, OMV Petrom has acceded to the Group Sustainability strategy and strives for diverse teams and specifically, at management level, aims to increase female representation in Senior Leadership roles to 25% by 2025. The Company supports this through a number of initiatives such as mentoring, succession planning, and specific training addressing topics like unconscious bias.

At the end of 2019, there were three women in OMV Petrom's management bodies: Christina Verchere, the CEO and President of the Executive Board, Alina Gabriela Popa, CFO and member of the Executive Board and Sevil Shhaideh, member of the Supervisory Board. Moreover, at the end of 2019, around 31% of the first line directors reporting to the Executive Board were

OMV Petrom supports promotion of women in management positions

women, whilst the percentage of women in senior leadership roles in total (senior vice presidents, directors, head of departments and senior advisors) was around 28%. The proportion of women in the OMV Petrom Group as a whole was 23% at year end.

OMV Petrom is committed to protecting the rights, opportunities of all employees, by promoting parity and eliminating gender bias, by offering learning opportunities in diversity and by making available to all employees an Ombudsman Department to which employees may raise work related issues, including gender related, namely the PetrOmbudsman.

Basic Principles of Remuneration

OMV Petrom targets to occupy a strong market position with compensation levels designed to be competitive in the respective labour markets, ideally in reference to the chemical, oil and gas business, in order to attract, motivate and retain the best qualified talents.

To maintain long-term competitiveness, OMV Petrom uses a variety of reward elements to strengthen its position as an attractive employer in the oil and gas industry. The overall remuneration structure is specifically set up to reflect the reward principles of the Company, while paying special attention on fairness and transparency towards employees and other stakeholders within and outside organization. OMV Petrom's remuneration principles are targeting more than just being compliant with the legislation. The Company places people at the core of its business, being one of the main pillars of the Company's success.

A reward package typically consists of several components as fixed compensation containing base salary, allowances and other fixed payments, variable compensation containing the performance bonus and various rewards and the benefits containing various recognition, awards, development and career.

The Company is currently working to prepare a formal remuneration policy covering the Executive Board and the Supervisory Board.

Remuneration of the Supervisory Board members

The annual Ordinary GMS approves yearly the remuneration of the Supervisory Board members for the current year. Such remuneration has two components: (i) the remuneration of the Supervisory Board members, and (ii) the additional remuneration of the members of the Supervisory Board who are also members of committees established at the level of the Supervisory Board.

In addition, the Supervisory Board members' activity is covered by liability insurance.

For 2019, the GMS of OMV Petrom approved an annual gross remuneration corresponding to a net remuneration for each member of the Supervisory Board amounting to EUR 20,000 per year (for 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 (for 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 (for 2018: EUR 2,000 per meeting).

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

Remuneration of the Executive Board members and of the senior management

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

The remuneration paid to members of the Executive Board and to the directors reporting to Executive Board members aims to be at

Performance based remuneration set for Executive Board, including linked to share price

competitive levels and consists of:

- ▶ fixed remuneration based on contractual arrangements
- ▶ performance-related remuneration assessed against financial and non-financial metrics (including OMV Petrom S.A. share price evolution) in line with company strategy, to align the interests of management and shareholders, including both short- and long- term plans
 - ▶ performance bonus program of one year
 - ▶ long-term incentive as multiyear performance plan of three years
- ▶ Benefits in kind (non-cash benefits) as support to properly carry out job related activities, including accident and liability insurance.

Remuneration of other staff

The employees of OMV Petrom are employed under local Romanian terms and conditions and the salaries are therefore set in RON. The employment contracts are concluded with OMV Petrom and governed by Romanian law. Reflecting

additional responsibilities in other OMV Petrom Group companies, there are employees with an additional employment contract with other entities within OMV Petrom Group.

The remuneration of OMV Petrom employees is at competitive levels for the relevant oil and gas industry and includes: (i) a fixed base remuneration, paid monthly as a net salary determined by applying to the base gross salary the income tax quotas and social contributions, (ii) other fixed payments, such as fixed bonuses and special allowances according to the Collective Labour Agreement, (iii) other statutory and non-statutory benefits, such as private insurance, holiday indemnity / special days off and, depending on the assigned position, a company car or car compensation fee and (iv) short-term (quarterly and / or annual) performance-related components. The measures/ key performance indicators used are based on financial and non-financial metrics.

Corporate governance statement ^{xv}

Provisions of the Bucharest Stock Exchange Corporate Governance Code	Complies	Does not comply or partially complies	Comments
Section A - Responsibilities			
A.1. All companies should have internal regulation of the Board which includes the terms of reference/ responsibilities for the Board and key management functions of the company, applying, among others, the General Principles of this Section.	✓		Since April 2007, OMV Petrom has been managed in a two-tier system by an Executive Board, which manages the daily business of the Company under the supervision of the Supervisory Board. The Company's corporate governance structure and principles, as well as the competences and responsibilities of the GMS, the Supervisory Board and the Executive Board are laid down in the Articles of Association, the Rules and Procedures of the GMS, the internal rules of the Supervisory Board and of the Executive Board, and in other relevant internal regulations.
A.2. Provisions for the management of conflict of interest should be included in Board regulation. In any event, members of the Board should notify the Board of any conflicts of interest which have arisen or may arise, and should refrain from taking part in the discussion (including by not being present where this does not render the meeting non-quorate) and from voting on the adoption of a resolution on the issue which gives rise to such conflict of interest.	✓		The members of the Executive Board and the members of the Supervisory Board have, by law, a duty of care and a duty of loyalty to the Company, stated not only in the Company's Articles of Association, but also in other internal regulations. Moreover, the Company has in place internal rules on how to deal with conflicts of interest.
A.3. The Supervisory Board should have at least five members.	✓		The Supervisory Board consists of nine members appointed by the Ordinary GMS, in accordance with the provisions of Company Law and the Company's Articles of Association.

^{xv} The statement summarises the main highlights of the Bucharest Stock Exchange Corporate Governance Code's provisions. For the full text of the Code please refer to Bucharest Stock Exchange website www.bvb.ro.

Provisions of the Bucharest Stock Exchange Corporate Governance Code	Complies	Does not comply or partially complies	Comments
<p>A.4. The majority of the members of the Board should be non-executive. Not less than two non-executive members of the Board of Directors or Supervisory Board should be independent, in the case of Premium Tier Companies. Each member of the Supervisory Board should submit a declaration that he/she is independent at the moment of his/her nomination for election or re-election as well as when any change in his/her status arises, by demonstrating the ground on which he/she is considered independent in character and judgment.</p>	✓		<p>OMV Petrom's governance follows a two-tier system, with the Executive Board ensuring the management of the Company under the control and supervision of the Supervisory Board. The Supervisory Board comprises nine members who are all non-executives. Therefore, the balance between executives and non-executives is ensured. Upon (re)appointing each Supervisory Board member, the Company conducts an independence evaluation based on the independence criteria provided by the Corporate Governance Code (which are substantially similar to those provided by the Company law). The independence evaluation consists of an individual personal assessment carried out by the relevant Supervisory Board member and is then followed by an external assessment to confirm the independence resulted following such individual personal assessment, as the case may be.</p> <p>Moreover, for the purpose of preparing the Corporate Governance Report of the Annual Report, the Company reconfirmed with all Supervisory Board members their independent or non-independent status as of December 31, 2019.</p> <p>Following this evaluation, it resulted that at all times during 2019 there were four Supervisory Board members that met all the independence criteria provided by the Corporate Governance Code. Information on the independence status of the members of the Supervisory Board is included on the Company's corporate website, within the About Us section, Supervisory Board sub-section, and in the Supervisory Board Report.</p>
<p>A.5. A Board member's other relatively permanent professional commitments and engagements, including executive and non-executive Board positions in companies and not-for-profit institutions, should be disclosed to shareholders and to potential investors before appointment and during his/her mandate.</p>	✓		<p>Information on the Supervisory Board and Executive Board members' permanent professional commitments and engagements, including executive and non-executive positions in companies and not-for-profit institutions is included in the Supervisory Board and Executive Board members' CVs, available on the Company's corporate website, within the About Us section, Supervisory Board and Executive Board sub-sections.</p>

Provisions of the Bucharest Stock Exchange Corporate Governance Code	Complies	Does not comply or partially complies	Comments
A.6. Any member of the Board should submit to the Board information on any relationship with a shareholder who holds either directly or indirectly, shares representing more than 5% of all voting rights.	✓		The members of the Executive Board and the members of the Supervisory Board have, by law, a duty of care and a duty of loyalty to the Company, stated not only in the Company's Articles of Association, but also in other internal regulations. The Company has put in place internal rules on how to deal with conflicts of interest.
A.7. The company should appoint a Board secretary responsible for supporting the work of the Board.	✓		The Company has a General Secretary, who supports the works of both the Executive Board and Supervisory Board.
A.8. The corporate governance statement should inform on whether an evaluation of the Board has taken place under the leadership of the chairman or the nomination committee and, if it has, summarize key action points and changes resulting from it. The company should have a policy/guidance regarding the evaluation of the Board containing the purpose, criteria and frequency of the evaluation process.	✓		Based on a Supervisory Board Self-Evaluation Guideline which provides the purpose, criteria, and frequency of such an evaluation, the Supervisory Board undergoes a self-evaluation process on a yearly basis. The self-evaluation is conducted under the leadership of the President of the Presidential and Nomination Committee. The outcome of the Supervisory Board's self-evaluation for 2019 is presented in the Supervisory Board Report.
A.9. The corporate governance statement should contain information on the number of meetings of the Board and the committees during the past year, attendance by directors (in person and in absentia) and a report of the Board and committees on their activities.	✓		The Company's Executive Board meetings are held regularly (at least once every two weeks, but usually every week), while the Supervisory Board meets whenever necessary, but at least once every three months. Details on the number of meetings and attendance of the meetings of the Executive Board and the Supervisory Board, including the Audit Committee and the Presidential and Nomination Committee, during 2019, are included in the Supervisory Board Report and Corporate Governance Report. The reports of the Supervisory Board and Executive Board for 2019 are included in the Annual Report and submitted for Ordinary GMS's approval.

Provisions of the Bucharest Stock Exchange Corporate Governance Code	Complies	Does not comply or partially complies	Comments
A.10. The corporate governance statement should contain information on the precise number of the independent members of the Board of Directors or of the Supervisory Board.	✓		<p>Following the independence evaluation of the Supervisory Board members, as per the independence criteria provided by the Corporate Governance Code (which are substantially similar with those provided by the Company Law), it resulted that, at all time during 2019, there were four Supervisory Board members that met all the independence criteria stipulated by the Corporate Governance Code.</p> <p>Information on the independence status of the members of the Supervisory Board is included on the Company's corporate website, within the About Us section, Supervisory Board sub-section, and in the Supervisory Board Report.</p>
A.11. The Board of Premium Tier companies should set up a nomination committee formed of non-executives, which will lead the process for Board appointments and make recommendations to the Board. The majority of the members of the nomination committee should be independent.		✓	<p>As stipulated in the Company's Articles of Association and applicable law, the Supervisory Board members are appointed by the Ordinary GMS, based on a transparent procedure of appointment and on the majority of votes of the shareholders. Prior to the Ordinary GMS, their CVs are made available for the consultation of the shareholders. The shareholders can supplement the candidates list for the position of member of the Supervisory Board. In accordance with the Company's Articles of Association, the Executive Board members are appointed by decision of the Supervisory Board based on the majority of votes.</p> <p>OMV Petrom's Supervisory Board has set up a Presidential and Nomination Committee. The main role of the Presidential and Nomination Committee is to be involved in the succession planning for the Executive Board, having full responsibility on the selection process of candidates for appointment in the Executive Board. In addition, the Presidential and Nomination Committee has the right to make recommendations concerning the proposal of candidates for appointment in the Supervisory Board. The Presidential and Nomination Committee is composed of four members appointed from among its members. As members of the Supervisory Board, all members of the Presidential and Nomination Committee are therefore non-executives.</p> <p>At all times during 2019, two members of the Presidential and Nomination Committee were independent and thus the Company was only "partially compliant" with this provision. Following the recent change in the Presidential and Nomination Committee, the Presidential and Nomination Committee currently has only one independent member and therefore at the date of this report the compliance status remains the same, the Company being "partially compliant" with this provision.</p>

Provisions of the Bucharest Stock Exchange Corporate Governance Code	Complies	Does not comply or partially complies	Comments
Section B - Risk management and internal control system			
<p>B.1. The Board should set up an audit committee, and at least one member should be an independent non-executive. The majority of members, including the chairman, should have proven an adequate qualification relevant to the functions and responsibilities of the committee. At least one member of the audit committee should have proven adequate auditing or accounting experience. In the case of Premium Tier companies, the audit committee should be composed of at least three members and the majority of the audit committee should be independent.</p>		✓	<p>OMV Petrom's Supervisory Board has set up an Audit Committee from among its members. The members of the Audit Committee are therefore all non-executives.</p> <p>The Audit Committee is composed of four Supervisory Board members. Based on the independence evaluation, it resulted that at all times during 2019, the majority of the Audit Committee members met all independence criteria provided by the Corporate Governance Code, being thus "compliant" with this provision.</p> <p>Following the recent change in the membership of the Audit Committee, at the date of this report, the Company is "partially compliant" with this provision, as only two out of the four members of the Audit Committee meet all independence criteria provided by the Corporate Governance Code.</p> <p>The Audit Committee includes members who have adequate qualifications relevant to the functions and responsibilities of the Audit Committee. In addition, one member has also the necessary financial, auditing and accounting expertise.</p>
<p>B.2. The audit committee should be chaired by an independent non-executive member.</p>	✓		<p>As members of the Supervisory Board, all members of the Audit Committee, including the president of the Audit Committee, are non-executives.</p> <p>Based on the independence evaluation, it resulted that at all times during 2019, the majority of the Audit Committee members met all independence criteria provided by the Corporate Governance Code.</p> <p>As of April 19, 2019, the Supervisory Board appointed a new president of the Audit Committee. Thus, following such change, currently the Company is "compliant" with this provision, as the president of the Audit Committee fulfills both the condition of being non-executive and also the condition of being independent.</p>

Provisions of the Bucharest Stock Exchange Corporate Governance Code	Complies	Does not comply or partially complies	Comments
B.3. Among its responsibilities, the audit committee should undertake an annual assessment of the system of internal control.	✓		<p>The main roles and functions of the Audit Committee, as detailed in the Terms of Reference for the Audit Committee, consist of the following:</p> <ul style="list-style-type: none"> ▶ examining and reviewing the annual separate and consolidated financial statements and the proposal for profit distribution; ▶ considering and making recommendations on the appointment, re-appointment or removal of the independent external financial auditor, which is to be elected by the Ordinary GMS; ▶ undertaking an annual assessment of the internal control system considering the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control reports to the Audit Committee, the responsiveness and effectiveness of management to deal with identified internal control failings or weaknesses and their submission of relevant reports to the Supervisory Board; ▶ reviewing conflicts of interests in transactions of the Company and its subsidiaries with related parties; ▶ evaluating the efficiency of the internal control system and risk management system; ▶ monitoring the application of statutory and generally accepted standards of internal auditing; ▶ regularly receiving a summary of the main findings of the audit reports, as well as other information regarding the activities of the Internal Audit department and evaluating the reports of the internal audit team; ▶ examining and reviewing, before their submission to the Supervisory Board for approval, related party transactions that exceed or may be expected to exceed 5% of the Company's net assets in the previous financial year, in accordance with Related Party Transactions Policy; ▶ overseeing and approving the nature and level of non-audit services provided by the independent financial auditor to the Company, including by issuance of regulations/guidelines regarding such services.
B.4. The assessment should consider the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control reports to the audit committee of the Board, management's responsiveness and effectiveness in dealing with identified internal control failings or weaknesses and their submission of relevant reports to the Board.	✓		
B.5. The audit committee should review conflicts of interests in transactions of the company and its subsidiaries with related parties.	✓		
B.6. The audit committee should evaluate the efficiency of the internal control system and risk management system.	✓		
B.7. The audit committee should monitor the application of statutory and generally accepted standards of internal auditing. The audit committee should receive and evaluate the reports of the internal audit team.	✓		

Provisions of the Bucharest Stock Exchange Corporate Governance Code	Complies	Does not comply or partially complies	Comments
B.8. Whenever the Code mentions reviews or analyses to be exercised by the Audit Committee, these should be followed by cyclical (at least annual), or ad-hoc reports to be submitted to the Board afterwards.	✓		The Audit Committee submits periodic reports to the Supervisory Board on the specific subjects assigned to it.
B.9. No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related parties.	✓		The Company applies equal treatment to all its shareholders. According to the internal Policy on Related Party Transactions in place within the Company, related party transactions are considered on their merits in accordance with the normal industry standards, applicable laws and corporate regulations.
B.10. The Board should adopt a policy ensuring that any transaction of the company with any of the companies with which it has close relations, that is equal to or more than 5% of the net assets of the company (as stated in the latest financial report), should be approved by the Board following an obligatory opinion of the audit committee and fairly disclosed to the shareholders and potential investors, to the extent that such transactions fall under the category of events subject to disclosure requirements.	✓		The Company adopted an internal Policy on Related Party Transactions providing for the main principles of review, approval and disclosure of related party transactions, according to the applicable regulations and the Company's statutory documents, including the fact that related party transactions that exceed or may be expected to exceed, either individually or jointly, an annual value of 5% of the Company's net assets in the previous financial year must be approved by the Supervisory Board following the approval of the Executive Board and based on the review of the Audit Committee of the respective transaction. OMV Petrom regularly submits reports on transactions with its related parties to the Financial Supervisory Authority and to the Bucharest Stock Exchange. Such disclosure reports are reviewed by the independent financial auditor according to the relevant laws in force.

Provisions of the Bucharest Stock Exchange Corporate Governance Code	Complies	Does not comply or partially complies	Comments
B.11. The internal audits should be carried out by a separate structural division (internal audit department) within the company or by retaining an independent third-party entity.	✓		Internal audits are carried out by a separate structural department within the Company, namely the Internal Audit department.
B.12. To ensure the fulfillment of the core functions of the internal audit department, it should report functionally to the Board via the audit committee. For administrative purposes and in the scope related to the obligations of the management to monitor and mitigate risks, it should report directly to the chief executive officer.		✓	<p>The Internal Audit department administratively reports to the CEO. Still, the Internal Audit department continues to maintain some functional reporting to the Executive Board, meaning that the Company only “partially complies” with this provision.</p> <p>Nonetheless, the Audit Committee is regularly informed about the main internal audit findings and other activities of the Internal Audit department. Moreover, the Audit Committee approves the audit charter (which stands for the terms of reference of the Internal Audit department and which describes its purpose, authority and responsibility) and approves the annual internal audit plan. Therefore, in our opinion, the independence and objectivity of the internal audit function is not impaired by this reporting structure. Likewise, the Internal Audit Department did not encounter, in its past experiences, cases that could be considered as jeopardizing its independence or objectivity due to these functional reporting lines.</p> <p>The Company is currently assessing how to fully comply with this provision in the future.</p>
Section C - Fair rewards and motivation			
<p>C.1. The company should publish a remuneration policy on its website and include in its annual report a remuneration statement on the implementation of this policy during the annual period under review.</p> <p>Any essential change of the remuneration policy should be published on the corporate website in a timely fashion.</p>		✓	<p>The Company does not have a remuneration policy in place. However, although not yet formalized, the Company has and applies, consistently, some principles of remuneration concerning the Supervisory Board and Executive Board members, senior management and other staff. Such basic principles of remuneration are included in the Corporate Governance Report. The Company is working to develop a formal remuneration policy covering the Executive Board and the Supervisory Board.</p>

Provisions of the Bucharest Stock Exchange Corporate Governance Code	Complies	Does not comply or partially complies	Comments
Section D - Building value through investors' relations			
<p>D.1. The company should have an Investor Relations function - indicated, by person(s) responsible or an organizational unit, to the general public. In addition to information required by legal provisions, the company should include on its corporate website a dedicated Investor Relations section, both in Romanian and English, with all relevant information of interest for investors, including:</p> <p>D.1.1. Principal corporate regulations: the articles of association, general shareholders' meeting procedures.</p> <p>D.1.2. Professional CVs of the members of its governing bodies, Board members' other professional commitments, including executive and non-executive Board positions in companies and not-for-profit institutions;</p> <p>D.1.3. Current reports and periodic reports (quarterly, semi-annual and annual reports);</p> <p>D.1.4. Information related to general meetings of shareholders;</p> <p>D.1.5. Information on corporate events;</p> <p>D.1.6. The name and contact data of a person who should be able to provide relevant information on request;</p> <p>D.1.7. Corporate presentations (e.g. IR presentations, quarterly results presentations etc.), financial statements (quarterly, semi-annual, annual), auditor reports and annual reports.</p>	✓		<p>The Company has a special department dedicated to investor relations that can be contacted via e-mail at investor.relations.petrom@petrom.com.</p> <p>Likewise, OMV Petrom has a special section of the corporate website dedicated to Investor Relations, where the following main information/documents are available, both in English and Romanian:</p> <ul style="list-style-type: none"> ▶ Articles of Association – in the About us section, Corporate Governance sub-section; ▶ Rules and Procedures of the GMS – in the About us section, General Meeting of Shareholders sub-section; ▶ Detailed professional CVs for all members of the Executive Board and Supervisory Board – in the About us section, Supervisory Board and Executive Board sub-sections; ▶ Current reports and periodic reports – in the Investors section, Investor News and Publications sub-sections; ▶ Convening notices and supporting materials for the GMS – in the About us section, General Meeting of shareholders sub-section; ▶ Financial calendar and information on other corporate events – in the Investors section, Financial Calendar and Events sub-sections; ▶ Name and contact information of a person able to provide investors with relevant information on request – in the Investors section, Contact sub-section; ▶ Investor Presentations, Annual and Interim Reports, Annual and Interim Financial Statements, both separate and consolidated, including also the independent financial auditor reports, as the case – in the Investors section, Investor News and Publications sub-sections.
<p>D.2. A company should have an annual cash distribution or dividend policy. The annual cash distribution or dividend policy principles should be published on the corporate website.</p>	✓		<p>The Company's Dividend Policy is published on its corporate website in the Investors section, Shares and GDRs / Dividends sub-section as well as in the About us section, Corporate Governance sub-section.</p>

Provisions of the Bucharest Stock Exchange Corporate Governance Code	Complies	Does not comply or partially complies	Comments
<p>D.3. A company should have adopted a policy with respect to forecasts, whether they are distributed or not. Forecasts mean the quantified conclusions of studies aimed at determining the total impact of a list of factors related to a future period (so called assumptions): by nature, such a task is based upon a high level of uncertainty, with results sometimes significantly differing from forecasts initially presented. The policy should provide for the frequency, period envisaged, and content of forecasts. Forecasts, if published, may only be part of annual, semi-annual or quarterly reports. The forecast policy should be published on the corporate website.</p>	✓		<p>The Company has a Forecast Policy which is published on its corporate website in the About us section, Corporate Governance sub-section.</p>
<p>D.4. The rules of general meetings of shareholders should not restrict the participation of shareholders in general meetings and the exercising of their rights. Amendments of the rules should take effect, at the earliest, as of the next general meeting of shareholders.</p>	✓		<p>The details regarding the organization of the GMS are mentioned in the Company's Articles of Association and the Rules and Procedures of the GMS, as well as briefly stated in the Corporate Governance Report. Likewise, OMV Petrom publishes convening notices for every GMS which describe in detail the procedure to be followed for the respective meeting. In this manner, the Company ensures that the GMSs are adequately conducted and well organized while the shareholders' rights are duly observed.</p>
<p>D.5. The independent financial auditors should attend the shareholders' meetings when their reports are presented there.</p>	✓		<p>The independent financial auditors attend the Ordinary GMS whereby the annual separate and consolidated financial statements are submitted for approval.</p>

Provisions of the Bucharest Stock Exchange Corporate Governance Code	Complies	Does not comply or partially complies	Comments
D.6. The Board should present to the annual general meeting of shareholders a brief assessment of the internal controls and significant risk management system, as well as opinions on issues subject to resolution at the general meeting.	✓		All matters submitted for GMS approval are subject to the Supervisory Board's approval according to Company's internal rules. Moreover, the Annual Report submitted for GMS approval contains a brief assessment of the internal controls and significant risk management system.
D.7. Any professional, consultant, expert or financial analyst may participate in the shareholders' meeting upon prior invitation from the Chairman of the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the Chairman of the Board decides otherwise.	✓		The Rules and Procedures of the GMS provide for the possibility for any professional, consultant, expert, financial analyst or accredited journalists to participate in the GMS, upon prior invitation from the President of the Supervisory Board.
D.8. The quarterly and semi-annual financial reports should include information in both Romanian and English regarding the key drivers influencing the change in sales, operating profit, net profit and other relevant financial indicators, both on quarter-on-quarter and year-on-year terms.	✓		The quarterly and semi-annual financial reports include information in both Romanian and English regarding the key drivers influencing the change in sales, operating profit, net profit and other relevant financial indicators, both on quarter-on-quarter and year-on-year terms.
D.9. A company should organize at least two meetings/conference calls with analysts and investors each year. The information presented on these occasions should be published in the Investor Relations section of the company website at the time of the meetings/conference calls.	✓		OMV Petrom organizes one-to-one meetings and conference calls with financial analysts, investors, brokers and other market specialists to present the financial elements relevant for their investment decision. In 2019, OMV Petrom organized four conference calls following the publication of the quarterly results. In addition, the Company held one-on-one and group meetings and attended analyst and investor conferences, organized in Romania and abroad. For more details, please also see the Annual Report's section relating to OMV Petrom on the capital markets. The Investor Presentations were made available at the time of the meetings / conferences on the corporate website, in the Investors section, Events sub-section.

Provisions of the Bucharest Stock Exchange Corporate Governance Code	Complies	Does not comply or partially complies	Comments
<p>D.10. If a company supports various forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers the resulting impact on the innovativeness and competitiveness of the company part of its business mission and development strategy, it should publish the policy guiding its activity in this area.</p>	✓		<p>OMV Petrom conducts various activities regarding education, social and environmental responsibility, as well as governance, supporting the local communities in which the Company operates.</p> <p>More details may be found in the Sustainability Report for 2019, which will be issued by the Company by June 30, 2020, in accordance with the legal requirements regarding the disclosure of non-financial information.</p>

Declaration of the management

We confirm to the best of our knowledge that the consolidated financial statements give a true and fair view of the financial position of the Group as of December 31, 2019, its financial performance and cash flows for the year then ended, in accordance with applicable accounting standards, and that the Directors' report gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties associated with the expected development of the Group.

Bucharest, March 17, 2020
The Executive Board



Christina Verchere
Chief Executive Officer
President of the EB



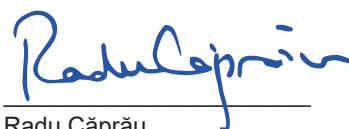
Alina Popa
Chief Financial Officer
Member of the EB



Peter Zeilinger
Member of the EB
Upstream



Franck Neel
Member of the EB
Downstream Gas



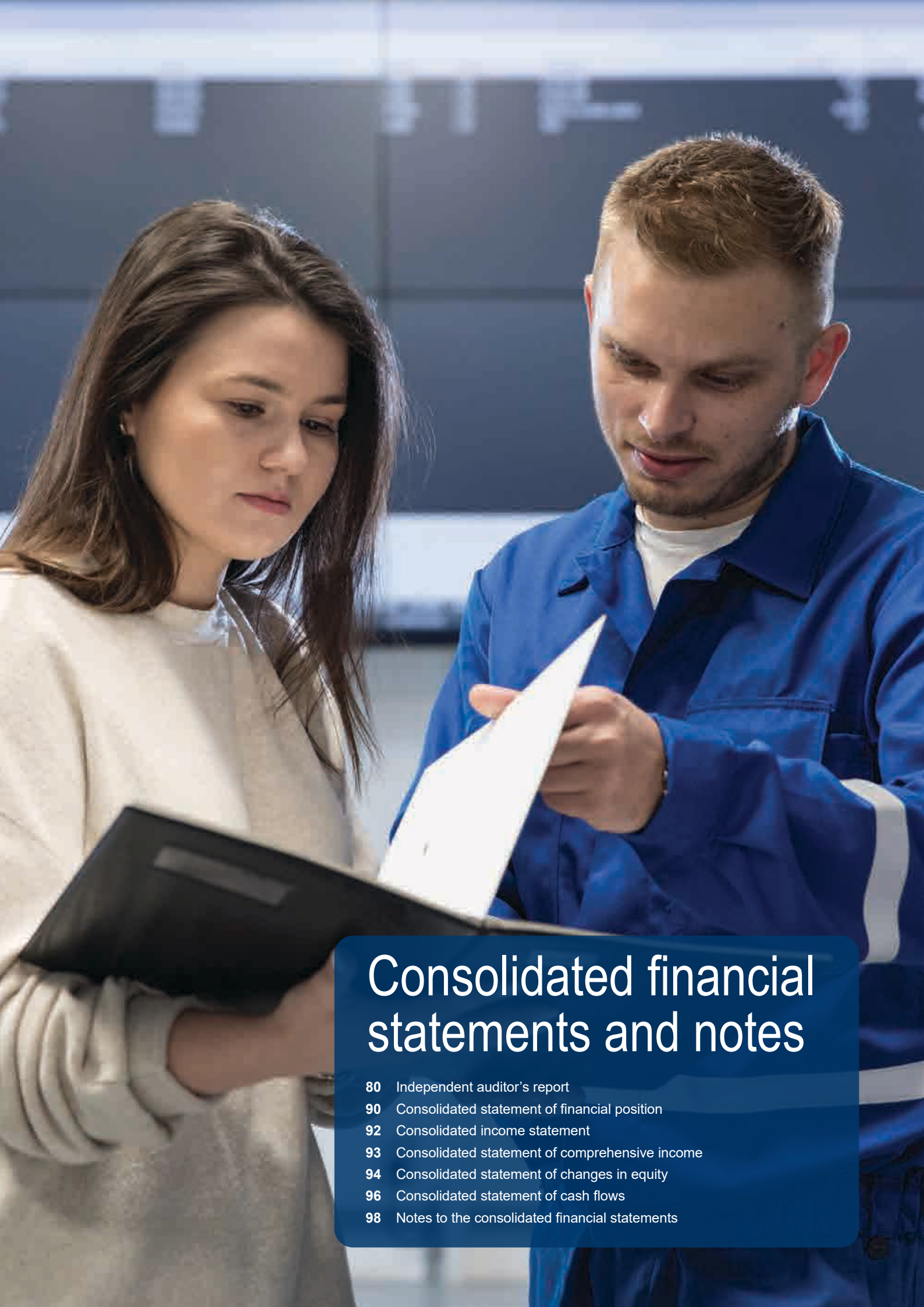
Radu Căprău
Member of the EB
Downstream Oil

Abbreviations and definitions

ANRE	Romanian Energy Regulatory Authority
bbl	barrel(s), i.e. 159 liters
bbl/d	bbl per day
bcf	billion cubic feet; 1 billion standard cubic meters = 35.3147 bcf for Romania or 34.7793 bcf for Kazakhstan
bcm	billion cubic meters
bn	billion
boe, kboe	barrels of oil equivalent, thousand barrels of oil equivalent
boe/d, kboe/d	boe per day, kboe per day
BET	a free float market capitalization weighted index reflecting the performance of the most traded 16 companies on the BSE's regulated market
BSE	Bucharest Stock Exchange
CAPEX	Capital Expenditure
Capital employed	Equity including minorities + net debt
CCS / CCS effects / Inventory holding gains / (losses)	<p>Current cost of supply</p> <p>Inventory holding gains and losses represent the difference between the cost of sales calculated using the current cost of supply and the cost of sales calculated using the weighted average method after adjusting for any changes in valuation allowances, in case the net realizable value of the inventory is lower than its cost.</p> <p>In volatile energy markets, measurement of the costs of petroleum products sold based on historical values (e.g. weighted average cost) can have distorting effect on reported results (Operating Result, Net income etc.).</p> <p>The amount disclosed as CCS effects represents the difference between the charge to the income statement for inventory on a weighted average basis (adjusted for the change in valuation allowances related to realizable value) and the charge based on the current cost of supply.</p> <p>The current cost of supply is calculated monthly using data from our refinery's supply and production systems at Downstream Oil level.</p>
CEO	Chief Executive Officer
CFO	Chief Financial Officer
Clean CCS Operating Result	Operating Result adjusted for special items and CCS effects. Group clean CCS Operating Result is calculated by adding the clean CCS Operating Result of Downstream Oil, the clean Operating Result of the other segments and the reported consolidation effect adjusted for changes in valuation allowances, in case the net realizable value of the inventory is lower than its cost.
Clean CCS net income attributable to stockholders	Net income attributable to stockholders, adjusted for the after tax effect of special items and CCS
Clean CCS ROACE	Clean CCS Return On Average Capital Employed = NOPAT (as a sum of current and last three quarters) adjusted for the after tax effect of special items and CCS, divided by average Capital Employed (on a rolling basis, as an average of last four quarters) (%)
CV	Curriculum Vitae
EB	Executive Board

GEO	Government Emergency Ordinance
EPS	Earnings per share = Net income attributable to stockholders divided by weighted number of shares
EU, EUR	European Union, euro(s)
EURIBOR	Euro Interbank Offer Rate – the reference rate for European banks in interbank loans denominated in EUR
FEED	Front End Engineering Design
FRD	Field redevelopment
GDP	Gross Domestic Product
GDR	Global Depositary Receipts
G&G	Geological and geophysical
GMS	General Meeting of Shareholders
HSSE	Health, Safety, Security and Environment
IFRS	International Financial Reporting Standards
ISO	International Organization for Standardization
LPG	Liquefied Petroleum Gas
LSE	London Stock Exchange
LTIR	Lost time injury rate = This figure assists in the evaluation of the average injury frequency with more than one day of work lost related to the working time performed
m, km	meter(s), kilometer(s)
mn	million
mom	month-on-month
MW; MWh	megawatt(s); megawatt hour(s)
n.m.	not meaningful; the deviation is above (±) 500% or the comparison is made between values of opposite signs
Net debt/(cash)	Interest bearing debts and financial lease liabilities less liquid funds (cash and cash equivalents)
NGL	Natural Gas Liquids – it refers to condensate only
NOPAT	Net Operating Profit After Tax. Profit on ordinary activities after taxes plus net interest on net borrowings, +/- result from discontinued operations, +/- tax effect of adjustments
OPCOM	The administrator of the Romanian electricity market
OPEC	Organization of Petroleum Exporting Countries
Operating Result	The “Operating result” includes the former indicator EBIT (“Earnings Before Interest and Taxes”) and the net result from equity-accounted investments
Operating Result before depreciation	Former EBITD = Operating Result Before Interest, Taxes, Depreciation and amortization, impairments and write-ups of fixed assets, including reversals
OPEX	Operating Expenses

Q	quarter
ROACE	Return On Average Capital Employed = NOPAT (as a sum of current and last three quarters) divided by average Capital Employed (on a rolling basis, as an average of last four quarters) (%)
ROBOR	Romanian Interbank Offer Rate – the reference rate for Romanian banks in interbank loans denominated in RON
RON	New Romanian leu
RRR	Reserve Replacement Rate
S.A.	Romanian JSC - Joint stock company (Societate pe Acțiuni)
Special items	Special items are expenses and income reflected in the financial statements that are disclosed separately, as they are not part of underlying ordinary business operations. They are being disclosed separately in order to enable investors to better understand and evaluate OMV Petrom Group's reported financial performance.
t, kt	metric tonne(s), thousand tonnes; 1t of crude oil = 7.193 bbl for Romania or 7.78 bbl for Kazakhstan
TOC	Tasbulat Oil Corporation
TP	Target Price
TWh	terawatt hour(s)
US(A)	United States (of America)
UK	United Kingdom
USD	United States dollar(s)
yoy	year-on-year



Consolidated financial statements and notes

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Independent auditor's report

To the Shareholders of OMV Petrom S.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

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

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as endorsed by the European Union.

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 Consolidated Financial Statements section of our report. We are independent of the Group 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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 consolidated 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 consolidated financial statements.

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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
<p>Recoverability of the carrying value of property, plant and equipment (Upstream)</p> <p>The carrying value of the Upstream property, plant and equipment is RON 20,759 million as at 31 December 2019.</p> <p>Declines in crude oil and gas prices since 2014 have had a significant effect on the carrying value of the Group's Upstream tangible assets, as reflected by the Upstream impairment charges recorded in the 2015 financial statements.</p> <p>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.</p> <p>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.</p> <p>The Group's disclosures about property, plant and equipment and related triggering events analysis, are included in Note 2 (Judgements, Estimates and Assumptions) and Note 7 (Property, Plant and Equipment) to the financial statements.</p>	<p>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:</p> <ul style="list-style-type: none"> ▶ 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 Group'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 Group'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 Group's disclosures in the financial statements.

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Key audit matter	How our audit addressed the key audit matter
<p>Recoverability of intangible exploration and evaluation (E&E) assets</p> <p>The carrying value of intangible E&E assets amounted to RON 3,040 million at 31 December 2019.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>The Group's disclosures about intangible E&E assets and related impairment testing are included in Note 2 (Judgements, Estimates and Assumptions), Note 6 (Intangible Assets) and Note 23 (Cost information) to the financial statements.</p>	<p>We evaluated management's assessment of the carrying value of E&E assets performed with reference to the criteria of IFRS 6 and the Group's accounting policy. Specifically, our work included, but was not limited to, the following procedures:</p> <ul style="list-style-type: none"> ► 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 Group, 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 Group 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 Group'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 Group's disclosures in the financial statements.

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Key audit matter	How our audit addressed the key audit matter
<p>Estimation of oil and gas reserves</p> <p>Oil and gas reserves are an indicator of the future potential of the Group's performance. Furthermore, they have an impact on the financial statements as they are the basis for:</p> <ul style="list-style-type: none"> ▶ production profiles in future cash flow estimates; ▶ depreciation, amortization and impairment charges for the core assets in the Upstream segment. <p>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.</p> <p>The Group's disclosures about estimation of oil and gas reserves are included in Note 2 (Judgements, Estimates and Assumptions) to the financial statements.</p>	<p>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:</p> <ul style="list-style-type: none"> ▶ Performed a detailed understanding of the Group'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 Group'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 Group's Reserves and Resources Guidelines; ▶ Tested that the updated oil and gas reserve estimates were included appropriately in the Group's consideration of impairment and in accounting for depreciation and amortization; and ▶ Assessed the adequacy of the Group's disclosures in the financial statements.

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Key audit matter	How our audit addressed the key audit matter
<p>Estimation of decommissioning and restoration provisions and environmental provisions</p> <p>The total decommissioning and restoration provision and the environmental provision amounted to RON 6,768 million and RON 397 million respectively at 31 December 2019.</p> <p>The Group's core activities regularly lead to obligations related to dismantling and removal, asset retirement and soil remediation activities.</p> <p>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.</p> <p>The Group's disclosures about decommissioning, restoration and environmental obligations are included in Note 2 (Judgements, Estimates and Assumptions) and Note 14 (Provisions) to the financial statements.</p>	<p>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:</p> <ul style="list-style-type: none"> ▶ Performed a detailed understanding of the Group'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 Group'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 Group's disclosures in the financial statements.

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Key audit matter	How our audit addressed the key audit matter
<p>Recoverability of receivables from the Romanian State</p> <p>As part of the privatization agreement regarding OMV Petrom S.A., the Group 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 Group 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.</p> <p>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.</p> <p>The Group's disclosures about Environmental and Decommissioning State Receivables are included in Note 2 (Judgements, Estimates and Assumptions) and in Note 9 (Trade Receivables and Other Financial Assets) to the financial statements.</p>	<p>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:</p> <ul style="list-style-type: none"> ▶ 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 S.A., 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 Group 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 Group's disclosures in the financial statements.

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Other information

The other information comprises the Annual Report which includes the Directors' Report and the consolidated Report on payments to governments, but does not include the consolidated 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 consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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

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in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

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From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated 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 Consolidated 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 Director's Report, as included in the Annual 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 consolidated 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 Group and its environment gained during our audit of the consolidated 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 Group by the General Meeting of Shareholders on April 19, 2019 to audit the consolidated 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 consolidated financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on February 5, 2020.

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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 Group and we remain independent from the Group in conducting the audit.

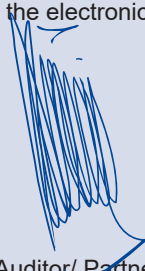
In addition to statutory audit services and services disclosed in the notes to the consolidated financial statements, no other services were provided by us to the Company, and its controlled undertakings.

On behalf of,

Ernst & Young Assurance Services SRL

15-17, Ion Mihalache Blvd., floor 21, Bucharest, Romania

Registered in the electronic Public Register under No. FA77



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

Bucharest, Romania
17 March 2020

The English version of the audit report represents a translation of the original audit report issued in Romanian language.

OMV PETROM S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2019
(all amounts are expressed in million RON, unless otherwise specified)

	Notes	December 31, 2019	December 31, 2018
ASSETS			
Intangible assets	6	3,132.01	3,058.95
Property, plant and equipment	7	27,944.72	26,749.09
Investments in associated companies	8	26.94	58.29
Other financial assets	9	2,122.57	2,165.22
Other assets	10	215.47	84.11
Deferred tax assets	18	1,490.93	1,433.00
Non-current assets		34,932.64	33,548.66
Inventories	11	2,464.45	2,151.54
Trade receivables	9	1,891.86	1,674.23
Other financial assets	9	486.10	195.19
Other assets	10	489.44	476.14
Cash and cash equivalents		7,013.54	5,609.43
Current assets		12,345.39	10,106.53
Assets held for sale	12	217.20	128.95
Total assets		47,495.23	43,784.14
EQUITY AND LIABILITIES			
Share capital	13	5,664.41	5,664.41
Reserves		27,836.45	25,703.21
Stockholders' equity		33,500.86	31,367.62
Non-controlling interests		0.51	0.48
Total equity		33,501.37	31,368.10
Provisions for pensions and similar obligations	14	240.70	211.38
Interest-bearing debts	15	197.88	281.87
Lease liabilities	7, 16	572.15	-
Provisions for decommissioning and restoration obligations	14	6,456.08	5,992.95
Other provisions	14	588.87	190.27
Other financial liabilities	16	106.82	155.63
Other liabilities	17	13.89	14.84
Deferred tax liabilities	18	20.91	20.49
Non-current liabilities		8,197.30	6,867.43

The notes on pages 98 to 191 form part of these consolidated financial statements.

	Notes	December 31, 2019	December 31, 2018
Trade payables	16	3,372.35	3,049.66
Interest-bearing debts	15	132.25	267.43
Lease liabilities	7, 16	128.79	-
Income tax liabilities		205.21	228.47
Other provisions and decommissioning	14	623.31	690.29
Other financial liabilities	16	372.54	388.34
Other liabilities	17	738.36	821.36
Current liabilities		5,572.81	5,445.55
Liabilities associated with assets held for sale	12	223.75	103.06
Total equity and liabilities		47,495.23	43,784.14

These consolidated financial statements were approved on March 17, 2020.



Christina Verchere,
Chief Executive Officer
President of the EB



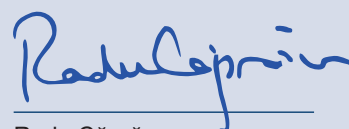
Alina Popa,
Chief Financial Officer
Member of the EB



Peter Zeilinger,
Member of the EB
Upstream



Franck Neel,
Member of the EB
Downstream Gas



Radu Căprău,
Member of the EB
Downstream Oil



Irina Dobre,
Vice President Finance Department



Nicoleta Drumea,
Head of Financial Reporting

The notes on pages 98 to 191 form part of these consolidated financial statements.

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

	Notes	2019	2018
Sales revenues	19, 28	25,485.47	22,523.24
Other operating income	20	263.95	672.10
Net income from equity-accounted investments	21	7.36	9.51
Total revenues and other income		25,756.78	23,204.85
Purchases (net of inventory variation)		(10,680.68)	(8,040.24)
Production and operating expenses		(3,469.59)	(3,139.79)
Production and similar taxes		(1,187.33)	(1,240.55)
Depreciation, amortization and impairment charges	23	(3,511.88)	(3,180.13)
Selling, distribution and administrative expenses		(2,140.17)	(1,977.47)
Exploration expenses		(237.66)	(174.27)
Other operating expenses	22	(284.41)	(239.41)
Operating result	28	4,245.06	5,212.99
Interest income	24	317.63	162.24
Interest expenses	24	(276.98)	(435.60)
Other financial income and expenses	25	(8.91)	(26.06)
Net financial result		31.74	(299.42)
Profit before tax		4,276.80	4,913.57
Taxes on income	26	(642.12)	(835.78)
Net income for the year		3,634.68	4,077.79
thereof attributable to stockholders of the parent		3,634.59	4,078.10
thereof attributable to non-controlling interests		0.09	(0.31)
Basic earnings per share (RON)	27	0.0642	0.0720

These consolidated financial statements were approved on March 17, 2020.



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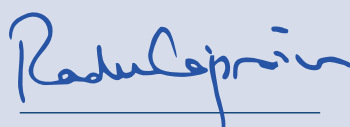
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The notes on pages 98 to 191 form part of these consolidated financial statements.

OMV PETROM S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2019

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

	2019	2018
Net income for the year	3,634.68	4,077.79
Exchange differences from translation of foreign operations	26.69	15.84
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	54.64	20.86
Remeasurement gains/(losses) on defined benefit plans	(25.61)	9.03
Total of items that will not be reclassified ("recycled") subsequently to the income statement	(25.61)	9.03
Income tax relating to items that may be reclassified ("recycled") subsequently to the income statement	(5.10)	(12.50)
Income tax relating to items that will not be reclassified ("recycled") subsequently to the income statement	4.11	(1.46)
Total income tax relating to components of other comprehensive income	(0.99)	(13.96)
Other comprehensive income for the year, net of tax	28.04	15.93
Total comprehensive income for the year	3,662.72	4,093.72
thereof attributable to stockholders of the parent	3,662.62	4,095.75
thereof attributable to non-controlling interests	0.10	(2.03)

The notes on pages 98 to 191 form part of these consolidated financial statements.

OMV PETROM S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2019

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

Consolidated statement of changes in equity for the year ended December 31, 2019

	Share capital	Revenue reserves	Cash flow hedge reserve	Foreign currency translation reserve	Other reserves	Treasury shares	Stockholders' equity	Non-controlling interests	Total equity
Balance at January 1, 2019	5,664.41	25,653.10	4.22	(191.26)	237.17	(0.02)	31,367.62	0.48	31,368.10
Net income for the year	-	3,634.59	-	-	-	-	3,634.59	0.09	3,634.68
Other comprehensive income/(loss) for the year	-	(21.50)	23.48	22.74	3.31	-	28.03	0.01	28.04
Total comprehensive income for the year	-	3,613.09	23.48	22.74	3.31	-	3,662.62	0.10	3,662.72
Dividends distribution	-	(1,529.38)	-	-	-	-	(1,529.38)	(0.07)	(1,529.45)
Balance at December 31, 2019	5,664.41	27,736.81	27.70	(168.52)	240.48	(0.02)	33,500.86	0.51	33,501.37

For details on equity components, see Note 13.

The notes on pages 98 to 191 form part of these consolidated financial statements.

Consolidated statement of changes in equity for the year ended December 31, 2018

	Share capital	Revenue reserves	Cash flow hedge reserve	Foreign currency translation reserve	Other reserves	Treasury shares	Stockholders' equity	Non-controlling interests	Total equity
Balance at January 1, 2018	5,664.41	22,765.94	-	(126.27)	175.61	(0.02)	28,479.67	(58.64)	28,421.03
Effect of initial application of new accounting standards (IFRS 9)	-	(4.93)	-	-	-	-	(4.93)	-	(4.93)
Adjusted balance January 1, 2018	5,664.41	22,761.01	-	(126.27)	175.61	(0.02)	28,474.74	(58.64)	28,416.10
Net income/(loss) for the year	-	4,078.10	-	-	-	-	4,078.10	(0.31)	4,077.79
Other comprehensive income/(loss) for the year	-	7.58	4.22	(55.60)	61.45	-	17.65	(1.72)	15.93
Total comprehensive income/(loss) for the year	-	4,085.68	4.22	(55.60)	61.45	-	4,095.75	(2.03)	4,093.72
Dividends distribution	-	(1,132.88)	-	-	-	-	(1,132.88)	(0.08)	(1,132.96)
Change in non-controlling interests and other	-	(60.71)	-	(9.39)	0.11	-	(69.99)	61.23	(8.76)
Balance at December 31, 2018	5,664.41	25,653.10	4.22	(191.26)	237.17	(0.02)	31,367.62	0.48	31,368.10

For details on equity components, see Note 13.

The notes on pages 98 to 191 form part of these consolidated financial statements.

OMV PETROM S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2019
(all amounts are expressed in million RON, unless otherwise specified)

	Notes	2019	2018
Profit before tax		4,276.80	4,913.57
Interest income	24	(224.95)	(114.17)
Interest expenses and other financial expenses	24, 25	29.07	90.43
Net movement in provisions and allowances for:			
- Investments		-	1.17
- Inventories		1.27	(12.59)
- Receivables		(34.51)	42.19
- Pensions and similar liabilities		4.11	(4.53)
- Decommissioning and restoration obligations		6.78	46.65
- Other provisions for risk and charges		230.40	(74.58)
Income from associated companies	8	(7.23)	(8.59)
Gain on transfer of business	32	(51.77)	-
Net gains on the disposal of non-current assets	20, 22	(25.44)	(6.82)
Depreciation, amortization and impairments including write-ups		3,637.67	2,872.32
Other non-monetary adjustments		(213.92)	126.96
Interest received		171.69	108.60
Interest and other financial costs paid		(20.73)	(92.20)
Tax on profit paid		(720.58)	(535.78)
Cash generated from operating activities before working capital movements		7,058.66	7,352.63
Increase in inventories		(326.56)	(88.00)
Increase in receivables and other assets		(192.55)	(217.78)
Increase in liabilities		262.97	338.23
Cash flow from operating activities		6,802.52	7,385.08

The notes on pages 98 to 191 form part of these consolidated financial statements.

	Notes	2019	2018
Investments			
Intangible assets and property, plant and equipment		(3,935.26)	(4,327.44)
Investments and other financial assets	32	38.19	-
Disposals			
Proceeds in relation to non-current assets	32	262.24	53.73
Proceeds from transfer of business	32	78.58	-
Proceeds from sale of Group companies, net of cash disposed	32	-	13.21
Cash flow from investing activities		(3,556.25)	(4,260.50)
Net repayments of borrowings	32	(327.65)	(371.45)
Dividends paid		(1,515.89)	(1,122.80)
Decrease in non-controlling interest	32	-	(1.01)
Cash flow from financing activities		(1,843.54)	(1,495.26)
Effect of foreign exchange rate changes on cash and cash equivalents		1.38	1.06
Net increase in cash and cash equivalents		1,404.11	1,630.38
Cash and cash equivalents at the beginning of the year		5,609.43	3,979.05
Cash and cash equivalents at the end of the year		7,013.54	5,609.43

The notes on pages 98 to 191 form part of these consolidated financial statements.

1. LEGAL PRINCIPLES AND BASIS OF PREPARATION

OMV Petrom S.A. (22 Coralilor Street, 013329 Bucharest, Romania), 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 Depositary Receipts (GDRs) was 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

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

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

The financial year corresponds to the calendar year.

Basis of preparation

The consolidated financial statements of OMV Petrom Group, hereinafter referred to also as “the Group”, are presented in RON (“Romanian Leu”), using going concern principles. All values are presented in millions, rounded to the nearest two decimals. The consolidated 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 4 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 33.

2. JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Other disclosures relating to the Group's exposure to risks and uncertainties in relation to capital management and financial risk management and policies are included in Note 36.

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 Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market change or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

a) Oil and gas reserves

Mineral reserves (oil and gas reserves) are estimated by OMV Petrom Group's own engineers 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

2. JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

accounting policy below), determined as presented above. The carrying amount of oil and gas assets at December 31, 2019 is shown in Notes 6 and 7.

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

b) Decommissioning costs

The Group's core activities regularly lead to obligations related to dismantling and removal, asset retirement and soil remediation activities. These decommissioning and restoration obligations are principally of material importance in the 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 Group at the end of the operating life of some of the facilities and properties.

Estimates of future restoration costs are based on current contracts concluded with suppliers, reports issued by OMV Petrom Group engineers, as well as past experience. 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 14).

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

c) Impairment of non-financial assets

The Group assesses each asset or cash generating unit (CGU) at 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

2. JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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 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 in Romania as at December 31, 2018.

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

Impairment testing in Downstream

In the Downstream Oil business, besides the discount rates, the recoverable amounts are mainly

2. JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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 was concluded that there were no triggering indicators for performing any impairment test in Downstream.

d) Exploration and evaluation expenditure

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is probable that future economic benefits are likely either from future operation or sale or whether activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of reserves and resources is itself an estimation process that involves varying degrees of uncertainty depending on sub-classification and these estimates directly impact the point of deferral of exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the relevant capitalized amount is written off in 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 in OMV Petrom S.A., which was recognized based on the privatization agreement. The assessment process is considering inter alia the history of amounts claimed, documentation process related requirements, potential litigation or arbitration proceedings.

Judgments

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

a) Cash generating units

Management exercises judgment in determining the appropriate level of grouping 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.

2. JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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.

c) Lease term and incremental borrowing rate

OMV Petrom Group 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 Group has lease contracts which include prolongation and termination options. When determining the lease term to be used for the measurement of the lease, the Group takes into account all the relevant facts and circumstances that create an economic incentive for exercising either the extension or termination option of the lease term, such as market factors, the extent of oil and gas reserves or other relevant facts. In case of lease term for land for filling stations and access roads, for periods covered by prolongation or termination options, the assumption applied was that the lease term will not exceed 20 years. The maximum useful life of filling station buildings is 20 years and beyond this period the exercise of any option becomes uncertain.

The Group cannot readily determine the interest rate implicit in its leases. Therefore, it uses the relevant incremental borrowing rates to measure lease liabilities. These 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. CONSOLIDATION

a) Subsidiaries

The consolidated financial statements comprise the financial statements of OMV Petrom S.A. ("OMV Petrom" / "the Company") and its subsidiaries ("OMV Petrom Group" or "the Group") as at December 31, 2019, prepared in accordance with consistent accounting and valuation principles. The financial statements of the subsidiaries are prepared for the same reporting date, December 31, 2019, as those of the parent company.

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

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

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

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

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

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

3. CONSOLIDATION (continued)

The number of consolidated entities is as follows:

	Full consolidation	Equity method
As at January 1, 2019	11	1
Included for the first time	-	-
Deconsolidated during the year	-	-
As at December 31, 2019	11	1
Romanian companies	5	1
Foreign companies	6	-

Please refer to Note 31 for further details on Group structure.

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

Non-controlling interests are not significant as of December 31, 2019 and December 31, 2018.

b) Associates

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

Investments in associated companies are accounted for using the equity method, under which the investment is initially recognized at cost and subsequently adjusted for the Group's share of the profit or loss less dividends received and the Group's share of other comprehensive income and other movements in equity. Goodwill relating to an associate is included in the carrying amount of the investment and is not tested for impairment individually.

After application of the equity method, the Group determines whether it is necessary to recognize any impairment loss with respect to Group's investment in the associate. In case the net investment in the associate is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

3. CONSOLIDATION (continued)

The consolidated income statement reflects the share of the net results of operations of the associate. The share of any change in other comprehensive income (OCI) of the associate is presented as part of the Group's OCI. In addition, where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of the changes and discloses it in the consolidated statement of changes in equity. The Group recognizes the dividend from an associate when the right to receive a dividend is established, and presents separately (Note 8) the share of the results of operations of the associate corresponding to dividends received.

The aggregate of the Group's share of net profit or loss of an associate is shown on the face of the consolidated income statement under operating result.

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

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

c) Interests in joint arrangements

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

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

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

As of December 31, 2019 and 2018, the Group has joint arrangements classified as joint operations.

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.

3. CONSOLIDATION (continued)

The Group 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 Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation, line by line, in its consolidated financial statements.

The material joint arrangements where OMV Petrom is partner, as well as commitments in relation to the joint arrangements, are presented in Note 35.

4. ACCOUNTING AND VALUATION PRINCIPLES

4.1. First-time adoption of new or revised standards

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

The Group 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 Group 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 Group 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.

OMV Petrom Group 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

4. ACCOUNTING AND VALUATION PRINCIPLES (continued)

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 1.34%.

The first-time application of IFRS 16 resulted in recognizing RON 299.68 million as right-of-use assets (see Note 7) and RON 284.98 million as lease liabilities for previous operating leases. For leases previously classified as finance leases the Group 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 consolidated 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	197.19
less minimum lease payments for short-term leases	(26.86)
less minimum lease payments for low value leases	(0.02)
plus minimum lease payments under reasonably certain prolongation or termination options	155.61
Gross lease liability for previously unrecognized operating lease commitments as at January 1, 2019	325.92
less discounting effect as at January 1, 2019	(40.94)
Lease liability for previously unrecognized operating lease commitments as at January 1, 2019	284.98
Finance lease liability recognized as at 31 December, 2018	169.44
Lease liability recognized as at January 1, 2019	454.42

Additionally, the Group has adopted the following amended standards and interpretations with a 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

4. ACCOUNTING AND VALUATION PRINCIPLES (continued)

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.

► 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 consolidated financial statements of the Group.

4. ACCOUNTING AND VALUATION PRINCIPLES (continued)

4.2. New or revised standards and interpretations not yet mandatory

The Group has not early adopted the following new or revised IFRSs 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 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

4. ACCOUNTING AND VALUATION PRINCIPLES (continued)

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 Group is currently assessing the impact of adopting these amendments on the Group's consolidated financial statements and does not expect it to be significant.

4. ACCOUNTING AND VALUATION PRINCIPLES (continued)

4.3. Summary of accounting and valuation principles

a) Business combinations

Business combinations are accounted for using the acquisition method. Assets and liabilities of subsidiaries acquired are included at their fair values at the time of the acquisition. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

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

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

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

b) Pre-licence costs

Pre-licence costs are expensed in the period in which they are incurred. Pre-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.

c) Licence acquisition costs

Exploration licence acquisition costs are capitalized in intangible assets.

4. ACCOUNTING AND VALUATION PRINCIPLES (continued)

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 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.

d) 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.

e) Development and production costs

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

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

4. ACCOUNTING AND VALUATION PRINCIPLES (continued)

f) 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.

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 consolidated 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	Storage tanks and refinery facilities	25 – 40
Downstream Oil	Pipeline systems	20
Downstream Oil	Filling stations components	5 – 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

4. ACCOUNTING AND VALUATION PRINCIPLES (continued)

For the application of the unit-of-production depreciation method, the Group 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 consolidated income statement when the asset is derecognized.

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

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

Assets classified as held for sale are disclosed at the lower of carrying value and fair value net of any disposal costs. Non-current assets and groups of assets are classified as held for sale if their carrying value will be recovered principally through a sale transaction rather than through continuing use. This classification requires that the sale must be estimated as highly probable, and that the asset must

4. ACCOUNTING AND VALUATION PRINCIPLES (continued)

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 each 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 Group estimates the asset's recoverable amount, being the higher of fair value less costs of disposal and its value in use.

If the carrying amount of an asset or cash generating unit exceeds its recoverable amount, the asset is considered impaired and an impairment loss is recognized to reduce the asset to its lower recoverable amount. Impairment losses are recognized in the consolidated 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 the consolidated 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.

g) Major maintenance and repairs

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

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.

4. ACCOUNTING AND VALUATION PRINCIPLES (continued)

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

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

h) Leases

OMV Petrom Group, 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 Group 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 4f) 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 Group does not recognize the service components of the lease payments in the lease liability or right-of-use assets.

OMV Petrom Group 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.

4. ACCOUNTING AND VALUATION PRINCIPLES (continued)

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 Group 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 4.1.

i) Financial instruments

Non-derivative financial assets

At initial recognition, OMV Petrom Group 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 Group'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.

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 Group's financial assets at amortised cost include mainly trade receivables.

OMV Petrom Group 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 Group by grouping financial assets in five risk classes (risk class 1 being the lowest risk category). The

4. ACCOUNTING AND VALUATION PRINCIPLES (continued)

probabilities of default used for each risk class, as presented in Note 9, 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 Group 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 Group considers all reasonable and supportable information that is available without undue cost or effort. Furthermore, OMV Petrom Group 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 Group 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.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of

4. ACCOUNTING AND VALUATION PRINCIPLES (continued)

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

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 Group.

Rights to payments to reimburse the Group for expenditure that it is required 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 the 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 asset 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 Group has applied IFRS 9 requirements on hedge accounting.

At the inception of a hedge relationship, the Group 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.

4. ACCOUNTING AND VALUATION PRINCIPLES (continued)

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 is 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 Group's expected purchase, sale or usage requirements are not accounted for as derivative financial instruments, but rather as executory contracts. However, even though such contracts are not financial instruments, they may contain embedded derivatives. Embedded derivatives are accounted for separately from the host contract when the economic characteristics and risks of the embedded derivatives are not closely related to the economic characteristics and risks of the host contract.

j) Borrowing costs

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

k) Government grants

Government grants – except for emission rights (see Note 4.3 m) – 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.

l) Inventories

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

Cost of producing crude oil and gas and refined petroleum products is accounted on weighted average

4. ACCOUNTING AND VALUATION PRINCIPLES (continued)

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.

m) Provisions

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

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

- ▶ plugging and abandoning wells;
- ▶ cleaning of sludge pits;
- ▶ dismantlement of 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.

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

Based on the privatization agreement of OMV Petrom S.A., part of OMV Petrom's decommissioning and environmental cost will be reimbursed by the Romanian State. The portion to be reimbursed by the

4. ACCOUNTING AND VALUATION PRINCIPLES (continued)

Romanian State has been presented as receivable and reassessed in order to reflect the current best estimate of the cost at its present value, using the same discount rate as for the related provisions.

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

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

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

The unwinding of the environmental provision is presented as part of the interest expenses in the consolidated 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 consolidated 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 consolidated other comprehensive income and for other obligations in the consolidated income statement.

Provisions for voluntary and involuntary separations under restructuring programs are recognized if a detailed plan has been approved by management prior to the consolidated 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 CO₂ emissions and are

4. ACCOUNTING AND VALUATION PRINCIPLES (continued)

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 CO₂ emissions. Any price difference between the provision and the value of offsetting emission rights is expensed as emission cost.

n) Taxes on income and royalties

Current tax

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

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

Deferred tax

Deferred income tax is recognized 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

4. ACCOUNTING AND VALUATION PRINCIPLES (continued)

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 recognized directly in other comprehensive income or equity is recognized in consolidated other comprehensive income or equity and not in consolidated income statement.

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

Production taxes

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

o) 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 Group recognizes contract liabilities which are reported as other liabilities in the consolidated statement of financial position.

4. ACCOUNTING AND VALUATION PRINCIPLES (continued)

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 standard.

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 Group acts as a principal or as an agent for the sale of shop merchandise, revenue and costs related to such sales are presented gross or net in the consolidated income statement. The Group acts as principal if it controls the goods before they are transferred to the customer. The Group 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 Group's ability to establish the price of goods. For sales of non-oil products, the Group considers this as being a secondary criterion, therefore, if the Group 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. At filling stations, payments are due immediately at the time of purchase.

The Group'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 Group 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 Group 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.

Power and gas sales are often subject to fees or tariffs for facilitating the transfer of goods and services. When the Group 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 Group is only an agent in providing these services.

4. ACCOUNTING AND VALUATION PRINCIPLES (continued)

As the revenues are recognized in the amount to which has a right to invoice, OMV Petrom Group 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.

p) Cash and cash equivalents

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

5. FOREIGN CURRENCY TRANSLATION

a) Group companies

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

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

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

Currencies	Year ended December 31, 2019 *	Average for the year ended December 31, 2019	Year ended December 31, 2018 *	Average for the year ended December 31, 2018
US dollar (USD)	4.2608	4.2392	4.0736	3.9433
Euro (EUR)	4.7793	4.7454	4.6639	4.6535
Moldavian Leu (MDL)	0.2481	0.2413	0.2389	0.2347
Serbian Dinar (RSD)	0.0407	0.0403	0.0394	0.0394
Bulgarian Leva (BGN)	2.4436	2.4263	2.3847	2.3793

*) as communicated by National Bank of Romania.

b) Transactions and balances

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

6. INTANGIBLE ASSETS

	Concessions, licences and other intangible assets	Oil and gas assets with unproved reserves	Total
COST			
Balance as at January 1, 2019	1,338.42	3,287.74	4,626.16
Exchange differences	1.32	-	1.32
Additions *	11.67	337.41	349.08
Transfers (Note 7)	0.46	(213.50)	(213.04)
Disposals	(1.58)	-	(1.58)
Balance as at December 31, 2019	1,350.29	3,411.65	4,761.94
ACCUMULATED AMORTIZATION AND IMPAIRMENT			
Balance as at January 1, 2019	1,249.44	317.77	1,567.21
Exchange differences	0.94	-	0.94
Amortization	9.14	-	9.14
Impairment	0.01	126.99	127.00
Transfers (Note 7)	-	(73.03)	(73.03)
Disposals	(1.33)	-	(1.33)
Balance as at December 31, 2019	1,258.20	371.73	1,629.93
CARRYING AMOUNT			
As at January 1, 2019	88.98	2,969.97	3,058.95
As at December 31, 2019	92.09	3,039.92	3,132.01

*) 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").

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.

7. PROPERTY, PLANT AND EQUIPMENT

	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
COST						
Balance as at January 1, 2019	4,726.26	41,176.81	10,578.84	1,194.51	995.14	58,671.56
Recognition of right-of-use asset on initial application of IFRS 16	200.26	-	-	99.42	-	299.68
Adjusted balance January 1, 2019	4,926.52	41,176.81	10,578.84	1,293.93	995.14	58,971.24
Exchange differences	30.68	168.64	15.49	11.59	2.40	228.80
Additions *	171.62	3,245.79	465.61	328.31	253.43	4,464.76
Transfers **	90.44	74.19	449.43	32.98	(578.68)	68.36
Transfers to assets held for sale	(1.78)	(752.58)	(20.08)	(5.98)	0.06	(780.36)
Disposals	(36.71)	(546.30)	(207.42)	(68.59)	(1.01)	(860.03)
Balance as at December 31, 2019	5,180.77	43,366.55	11,281.87	1,592.24	671.34	62,092.77
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
Balance as at January 1, 2019	2,191.67	22,525.48	6,261.41	923.37	20.54	31,922.47
Exchange differences	14.26	150.91	13.16	9.29	0.09	187.71
Depreciation	216.54	1,903.78	713.06	117.82	-	2,951.20
Impairment	4.22	540.54	9.90	1.42	0.88	556.96
Transfers **	(3.20)	49.08	(117.28)	(0.25)	-	(71.65)
Transfers to assets held for sale	(1.44)	(547.23)	(13.16)	(4.54)	-	(566.37)
Disposals	(27.91)	(540.32)	(194.80)	(63.12)	(0.94)	(827.09)
Write-ups	-	(4.81)	(0.37)	-	-	(5.18)
Balance as at December 31, 2019	2,394.14	24,077.43	6,671.92	983.99	20.57	34,148.05
CARRYING AMOUNT						
As at January 1, 2019	2,534.59	18,651.33	4,317.43	271.14	974.60	26,749.09
As at December 31, 2019	2,786.63	9,289.12	4,609.95	608.25	650.77	27,944.72

*) Includes the amount of RON 524.47 million representing increase from reassessment of the decommissioning asset.

**) Transfers are in net amount of RON 140.01 million and represent transfers from intangibles (See Note 6) and the reclassification of the tangible assets under former finance leases to right-of-use assets at their net carrying amount, following IFRS 16 Leases implementation.

7. PROPERTY, PLANT AND EQUIPMENT (continued)

Expenditure capitalized in the course of construction of tangible and intangible assets amounts to RON 541.11 million (2018: RON 484.00 million).

For details on impairments see Note 23.

OMV Petrom Group as a lessee

OMV Petrom Group as a lessee recognized right-of-use assets related mainly to land for filling stations, cars, rail cars and other transportation vehicles, the hydrogen plant at Petrobrazil 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 Group 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 Group's operation. These options are assessed by OMV Petrom Group 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	11.91	139.68	0.32	151.91
Right-of-use assets recognized at transition	200.26	-	99.42	299.68
Right-of-use assets as at January 1, 2019	212.17	139.68	99.74	451.59
Additions	50.29	9.89	292.22	352.40
Depreciation	(27.12)	(29.24)	(52.57)	(108.93)
Other movements	(3.62)	(16.26)	(2.96)	(22.84)
Right-of-use assets as at December 31, 2019	231.72	104.07	336.43	672.22

7. PROPERTY, PLANT AND EQUIPMENT (continued)

Amounts recognized in consolidated income statement

	2019
Operating result	
Short-term lease expenses	65.47
Low-value lease expenses	0.60
Variable lease expenses	26.84
Depreciation expense of right-of-use assets	108.93
Net financial result	
Interest expense on lease liabilities	10.51
Foreign exchange loss on lease liabilities	10.25

In addition, OMV Petrom Group 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 26.84 million were related to contingent rent mainly for leased filling stations and power generators equipment, determined based on turnover, quantities or other contractual parameters.

For other information on lease liability please see Note 16 and Note 32 a).

8. INVESTMENTS IN ASSOCIATED COMPANIES

As at December 31, 2019 and December 31, 2018 OMV Petrom Group had one associated company: OMV Petrom Global Solutions S.R.L. with a shareholding of 25% and principal place of business in Romania.

The associate is not material to the Group. The table below summarizes financial information for the Group's interest in associate (aggregated):

	2019	2018
Carrying amount of interests in individually immaterial associates	26.94	58.29
Group's share of:		
- profit from continuing operations (Note 21)	7.36	9.51
- other comprehensive income	(0.34)	0.08
- dividends during the year	(0.13)	(0.92)
Total comprehensive income	6.89	8.67

Carrying amount reconciliation for immaterial associates is as follows:

	Associated companies
Carrying amount at January 1, 2019	58.29
Share of total comprehensive income of associates (see above)	6.89
Reduction of share capital	(38.24)
Carrying amount at December 31, 2019	26.94

During 2019 the share capital of the associated entity OMV Petrom Global Solutions S.R.L. was reduced by way of cash distribution, with no impact on the shareholding of 25% held by OMV Petrom Group.

9. TRADE RECEIVABLES AND OTHER FINANCIAL ASSETS

a) **Trade receivables** are amounting to RON 1,891.86 million as at December 31, 2019 (2018: RON 1,674.23 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%	293.98	0.01	293.97
Risk class 2	0.24%	641.63	0.13	641.50
Risk class 3	1.22%	898.34	5.05	893.29
Risk class 4	10.27%	60.84	1.11	59.73
Risk class 5	100.00%	201.13	197.76	3.37
Total		2,095.92	204.06	1,891.86
December 31, 2018	Expected credit loss rate	Gross carrying amount	Expected credit loss	Net carrying amount
Risk class 1	0.08%	265.79	0.11	265.68
Risk class 2	0.25%	439.00	0.14	438.86
Risk class 3	1.25%	893.76	5.51	888.25
Risk class 4	10.33%	76.41	1.11	75.30
Risk class 5	100.00%	242.47	236.33	6.14
Total		1,917.43	243.20	1,674.23

The movements in impairment of trade receivables are as follows:

	2019	2018
January 1, under IAS 39		251.63
Adjustment on initial application of IFRS 9		0.62
January 1, under IFRS 9	243.20	252.25
Amounts written off	(20.79)	(7.01)
Net remeasurement of expected credit losses	(18.61)	(1.58)
Foreign exchange rate differences	0.26	(0.46)
December 31	204.06	243.20

9. TRADE RECEIVABLES AND OTHER FINANCIAL ASSETS (continued)

b) Other financial assets (net of impairment)

	Liquidity term		
	December 31, 2019	less than 1 year	over 1 year
Expenditure recoverable from Romanian State	1,962.83	-	1,962.83
Derivative financial assets (Note 33)	281.64	231.23	50.41
Other financial assets	364.20	254.87	109.33
Total	2,608.67	486.10	2,122.57

	Liquidity term		
	December 31, 2018	less than 1 year	over 1 year
Expenditure recoverable from Romanian State	1,760.83	-	1,760.83
Derivative financial assets (Note 33)	50.79	50.24	0.55
Investments	0.67	-	0.67
Other financial assets	548.12	144.95	403.17
Total	2,360.41	195.19	2,165.22

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 OMV Petrom 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.

Investments

The position "Investments" comprised all the investments in companies that were not consolidated, as the Group neither has control nor significant influence over their operations, or they were considered immaterial for the Group. As at December 31, 2019, these investments are fully impaired.

9. TRADE RECEIVABLES AND OTHER FINANCIAL ASSETS (continued)

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 32 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.

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%	42.57	-	-	42.57
Risk class 2	0.24%	2,201.06	-	67.38	2,268.44
Risk class 3	1.22%	85.66	-	-	85.66
Risk class 4	10.27%	2.56	-	-	2.56
Risk class 5	100.00%	0.14	-	542.42	542.56
Total		2,331.99	-	609.80	2,941.79

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 the Romanian State.

9. 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%	127.85	-	-	127.85
Risk class 2	0.25%	2,171.92	-	70.61	2,242.53
Risk class 3	1.25%	11.77	-	-	11.77
Risk class 4	10.33%	1.86	-	-	1.86
Risk class 5	100.00%	-	-	543.53	543.53
Total		2,313.40	-	614.14	2,927.54

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 the 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%	3.36	-	67.38	70.74
Risk class 3	1.22%	1.48	-	-	1.48
Risk class 4	10.27%	0.12	-	-	0.12
Risk class 5	100.00%	-	-	542.42	542.42
Total		4.96	-	609.80	614.76

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 the Romanian State.

9. 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%	-	-	-	-
Risk class 2	0.25%	3.58	-	70.61	74.19
Risk class 3	1.25%	0.78	-	-	0.78
Risk class 4	10.33%	0.09	-	-	0.09
Risk class 5	100.00%	-	-	543.53	543.53
Total		4.45	-	614.14	618.59

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 which 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	4.45	-	614.14	618.59
Amounts written off	-	-	(0.01)	(0.01)
Net remeasurement of expected credit losses	0.50	-	(4.33)	(3.83)
Foreign exchange rate differences	0.01	-	-	0.01
December 31, 2019	4.96	-	609.80	614.76

	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
January 1, 2018 under IAS 39	0.51	-	589.85	590.36
Adjustment on initial application of IFRS 9	4.38	-	-	4.38
January 1, 2018 under IFRS 9	4.89	-	589.85	594.74
Amounts written off	0.03	-	(12.68)	(12.65)
Net remeasurement of expected credit losses	(0.42)	-	36.97	36.55
Foreign exchange rate differences	(0.05)	-	-	(0.05)
December 31, 2018	4.45	-	614.14	618.59

10. OTHER ASSETS

The carrying value of other assets was as follows:

	Liquidity term		
	December 31, 2019	less than 1 year	over 1 year
Receivable from taxes	303.03	120.13	182.90
Advance payments on fixed assets	52.61	52.61	-
Prepaid expenses and deferred charges	81.56	55.08	26.48
Rental and lease prepayments	17.17	11.08	6.09
Other non-financial assets	250.54	250.54	-
Total	704.91	489.44	215.47

	Liquidity term		
	December 31, 2018	less than 1 year	over 1 year
Receivable from taxes	292.16	225.67	66.49
Advance payments on fixed assets	50.28	50.28	-
Prepaid expenses and deferred charges	59.94	58.91	1.03
Rental and lease prepayments	31.15	14.56	16.59
Other non-financial assets	126.72	126.72	-
Total	560.25	476.14	84.11

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

11. INVENTORIES

	December 31, 2019	December 31, 2018
Crude oil	482.66	425.08
Natural gas	180.81	90.97
Other materials	279.17	219.73
Work in progress	154.05	142.55
Finished products	1,367.76	1,273.21
Total	2,464.45	2,151.54

The cost of materials and goods consumed during 2019 (whether used in production or re-sold) is of RON 11,392.29 million (2018: RON 8,543.96 million).

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

12. ASSETS HELD FOR SALE

	December 31, 2019	December 31, 2018
Land and buildings	1.53	1.04
Plant and equipment	215.67	127.91
Assets held for sale	217.20	128.95
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 with Dacian Petroleum S.R.L. to transfer 40 marginal onshore oil and gas fields, 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, most of 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 of March 1, 2019.

13. STOCKHOLDERS' EQUITY

Share capital

The share capital of OMV Petrom S.A. consists of 56,644,108,335 fully paid shares as at December 31, 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 Group's result and cash flows against commodity price volatility, OMV Petrom Group 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

13. STOCKHOLDERS' EQUITY (continued)

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 36.

Other reserves

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

14. PROVISIONS

	Pensions and similar obligations	Decommissioning and restoration	Other provisions	Total
January 1, 2019	211.38	6,238.63	634.88	7,084.89
thereof short-term	-	245.68	444.61	690.29
thereof long-term	211.38	5,992.95	190.27	6,394.60
Exchange differences	0.01	4.81	1.68	6.50
Liabilities associated with assets held for sale	-	(223.36)	-	(223.36)
Used	(11.58)	(197.37)	(116.08)	(325.03)
Net allocations/(releases)	40.89	945.56	379.51	1,365.96
December 31, 2019	240.70	6,768.27	899.99	7,908.96
thereof short-term	-	312.19	311.12	623.31
thereof long-term	240.70	6,456.08	588.87	7,285.65

Provisions for pensions and similar obligations

Employees of several Group companies 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 consolidated income statement, if it exceeds the carrying amount of the related asset. Net discount rates applied for calculating of decommissioning and restoration costs are between 0.00% and 1.65% (2018: between 0.66% and 2.11%).

The provision for decommissioning and restoration costs includes mainly obligations in respect of OMV Petrom S.A. amounting to RON 6,702.45 million (2018: RON 6,113.40 million). There is a corresponding receivable from the Romanian State, which is disclosed under "Other financial assets" (Note 9b).

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.

14. PROVISIONS (continued)

Details on the decommissioning and restoration obligations are as follows:

	2019	2018
January 1	6,238.63	7,701.81
Exchange differences	4.81	5.27
Revisions in estimates	651.61	(1,533.30)
Unwinding effect	293.95	323.73
Used in current year	(197.37)	(155.82)
Transfer to liabilities associated with assets held for sale	(223.36)	(103.06)
December 31	6,768.27	6,238.63

The revisions in estimates impact the assets subject to decommissioning, the consolidated income statement or the related receivable from the Romanian State. The unwinding effect is included in the consolidated income statement under the interest expenses line (Note 24) 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 receivable from the Romanian State (which are additional to the changes in net discount rate or timing of the decommissioning costs) is included in the consolidated 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 in Romania.

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 in Romania.

14. PROVISIONS (continued)

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	101.76	99.13	2.63
Provisions for litigations	82.49	5.47	77.02
Other	318.63	155.32	163.31
Total	899.99	311.12	588.87

December 31, 2018	Total	less than 1 year	over 1 year
Environmental provision	223.03	111.63	111.40
Other personnel provisions	98.47	95.47	3.00
Provisions for litigations	83.53	7.87	75.66
Other	229.85	229.64	0.21
Total	634.88	444.61	190.27

Environmental provisions

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

OMV Petrom S.A. 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 9b "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 December 31, 2019.

Provisions for litigations

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

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.

14. PROVISIONS (continued)

The only company from the Group included in this scheme is OMV Petrom S.A. 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 Group had net other purchases of 1,153,324 emissions certificates (2018: net other purchases of 377,791 emissions certificates).

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

15. INTEREST-BEARING DEBTS

As at December 31, 2019 and December 31, 2018 OMV Petrom Group had the following loans:

Borrower	Lender	December 31, 2019	December 31, 2018
Interest-bearing debts short-term			
OMV Petrom S.A.	European Investment Bank (a)	91.03	88.84
OMV Petrom S.A.	OMV Petrom Global Solutions S.R.L. (b)	39.67	176.25
	Accrued interest and other	1.62	2.41
	Prepayments in relation with loan amounts drawn	(0.07)	(0.07)
Total interest bearing debts short-term		132.25	267.43
Borrower	Lender	December 31, 2019	December 31, 2018
Interest-bearing debts long-term			
OMV Petrom S.A.	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		330.13	549.30

- (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) A cash pooling agreement with maturity on April 19, 2020, renewable each year, was signed between OMV Petrom S.A. and OMV Petrom Global Solutions S.R.L. on April 25, 2014. The aggregated amount of the loan is RON 220.00 million, usable in RON or any other currency EUR, USD and GBP. The amount drawn by the Group as at December 31, 2019 was RON 39.67 million (2018: RON 176.25 million).

15. INTEREST-BEARING DEBTS (continued)

The OMV Petrom Group's companies have several credit facilities signed 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 20, 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 guarantees, 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 guarantee 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 was January 15, 2020 for overdraft purposes and March 15, 2021 for issuance of bank

15. INTEREST-BEARING DEBTS (continued)

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.

(h) An unsecured facility contracted by OMV Srbija from Raiffeisen Banka a.d. Belgrad, with a maximum limit of RSD 600.00 million (equivalent of RON 24.42 million) and maturity date until March 30, 2020. The destination of the facility is for general corporate purposes financing. The maturity of the credit facility was prolonged until March 30, 2022. As at December 31, 2019 an amount of RON 0.01 million was used from the overdraft facility (2018: nil) included in "Accrued interest and other" line.

(i) An unsecured credit facility agreement was signed by Petrom Moldova SRL with Banca Comercială Română Chişinău SA for up to MDL 20.00 million (equivalent of RON 4.96 million) to be utilized as overdraft for working capital financing. Final maturity is March 19, 2021. No drawings were made under the overdraft facility as at December 31, 2019.

(j) A credit facility contracted on October 02, 2014 by Tasbulat Oil Corporation LLP and Kom-Munai LLP as Borrowers from JSK Citibank Kazakhstan, accessible to both companies up to the maximum limit of USD 15.00 million (equivalent of RON 63.91 million) and maturity date prolonged to July 31, 2024. The purpose of the facility is for general corporate needs, working capital financing, letters of credit and letters of bank guarantee. The credit facility was not used as at December 31, 2019 and 2018.

(k) An unsecured facility contracted by OMV Bulgaria OOD from Raiffeisenbank Bulgaria EAD, with a maximum limit of BGN 24.50 million (equivalent of RON 59.87 million) and maturity date January 30, 2024 and adjusted up to a maximum limit of BGN 19.75 million. The destination of the facility is the financing of current operational activities and issuance of letters of bank guarantee. There were no drawings under the overdraft facility as at December 31, 2019 and 2018.

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

(l) An unsecured facility agreement was signed by OMV Petrom S.A. with BNP Paribas Fortis Bank 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.

(m) 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.

(n) A frame facility contracted by OMV Srbija from Raiffeisen Banka a.d. Belgrad, with a maximum limit of EUR 2.00 million (equivalent of RON 9.56 million) and maturity date until March 31, 2023. The destination of the facility is the issuance of letters of bank guarantee and letters of credit.

15. INTEREST-BEARING DEBTS (continued)

(o) An unsecured credit facility agreement was signed by Petrom Moldova SRL with Banca Comercială Română Chișinău SA for up to MDL 1.00 million (equivalent of RON 0.25 million) to be utilized for issuance of letters of bank guarantees. Final maturity is March 19, 2021. No drawings were made under the overdraft facility as at December 31, 2019.

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

Please refer also to Note 36 for details regarding interest rate risks of interest-bearing debt.

16. OTHER FINANCIAL LIABILITIES

	December 31, 2019	less than 1 year	over 1 year
Derivative financial liabilities (Note 33)	213.72	171.54	42.18
Financial liabilities in connection with joint operations	1.12	1.12	-
Other financial liabilities	264.52	199.88	64.64
Total	479.36	372.54	106.82
	December 31, 2018	less than 1 year	over 1 year
Finance lease liabilities	169.44	36.64	132.80
Derivative financial liabilities (Note 33)	163.53	163.53	-
Financial liabilities in connection with joint operations	3.12	3.12	-
Other financial liabilities	207.88	185.05	22.83
Total	543.97	388.34	155.63

Following the implementation of IFRS 16 Leases starting with January 1, 2019, the lease liabilities are presented in separate new lines in the consolidated statement of financial position as at December 31, 2019, within current liabilities, in amount of RON 128.79 million and non-current liabilities, in amount of RON 572.15 million. Until 2018, finance lease liabilities were included in line "Other financial liabilities".

16. OTHER FINANCIAL LIABILITIES (continued)

Maturity profile of financial liabilities

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted cash flows (i.e. also including future finance charges):

	< 1 year	1-5 years	> 5 years	Total
December 31, 2019				
Interest-bearing debts	135.05	202.08	-	337.13
Lease liabilities	138.60	372.13	285.40	796.13
Trade payables	3,372.35	-	-	3,372.35
Derivative financial liabilities	171.54	42.18	-	213.72
Other financial liabilities	201.00	31.82	32.82	265.64
Total	4,018.54	648.21	318.22	4,984.97
December 31, 2018	< 1 year	1-5 years	> 5 years	Total
Interest-bearing debts	271.23	290.30	-	561.53
Trade payables	3,049.66	-	-	3,049.66
Derivative financial liabilities	163.53	-	-	163.53
Other financial liabilities	231.11	100.57	104.43	436.11
Total	3,715.53	390.87	104.43	4,210.83

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

17. OTHER LIABILITIES

	December 31, 2019	less than 1 year	over 1 year
Tax liabilities	462.62	462.62	-
Social security	44.69	44.69	-
Contract liabilities	145.44	145.44	-
Deferred income	23.37	9.48	13.89
Other liabilities	76.13	76.13	-
Total	752.25	738.36	13.89
	December 31, 2018	less than 1 year	over 1 year
Tax liabilities	551.11	551.11	-
Social security	46.08	46.08	-
Contract liabilities	138.86	138.86	-
Deferred income	25.04	10.20	14.84
Other liabilities	75.11	75.11	-
Total	836.20	821.36	14.84

Contract liabilities

Contract liabilities include mainly contract liabilities recognized for vouchers sold to customers in the retail business and 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	138.86
Revenue recognized that was included in the contract liability balance at the beginning of the period	(131.92)
Increases due to cash received, excluding amounts recognized as revenue during the period	138.50
December 31	145.44

18. DEFERRED TAX

December 31, 2019	Deferred tax assets before allowances	Allowances	Net deferred tax assets	Deferred tax liabilities
Tangible and intangible assets	369.83	(15.24)	354.59	46.23
Inventories	26.54	(0.47)	26.07	-
Receivables and other assets	161.27	(38.32)	122.95	43.80
Provisions for pensions and similar obligations	42.47	-	42.47	4.05
Other provisions	954.30	(5.81)	948.49	-
Liabilities	71.09	(1.85)	69.24	-
Tax loss carried forward	0.29	-	0.29	-
Total	1,625.79	(61.69)	1,564.10	94.08
Netting (same tax jurisdiction/country)			(73.17)	(73.17)
Total deferred tax, net			1,490.93	20.91

31 December 2018	Deferred tax assets before allowances	Allowances	Net deferred tax assets	Deferred tax liabilities
Tangible and intangible assets	445.06	(20.58)	424.48	28.39
Inventories	25.69	(0.26)	25.43	-
Receivables and other assets	181.11	(40.10)	141.01	7.73
Provisions for pensions and similar obligations	41.68	-	41.68	7.90
Other provisions	826.01	(15.31)	810.70	-
Liabilities	14.39	(1.90)	12.49	-
Tax loss carried forward	0.74	-	0.74	-
Total	1,534.68	(78.15)	1,456.53	44.02
Netting (same tax jurisdiction/country)			(23.53)	(23.53)
Total deferred tax, net			1,433.00	20.49

18. DEFERRED TAX (continued)

As at December 31, 2019, losses carry-forward for tax purposes amounted to RON 124.88 million (2018: RON 128.95 million). Eligibility of losses for carry-forward expires as follows:

	2019	2018
2020	26.13	23.13
2021	0.74	23.83
2022	6.37	1.14
2023	6.41	5.12
2024 / After 2023	17.79	75.73
After 2024	67.44	-
Total	124.88	128.95

No deferred tax asset was recognized for part of tax losses carry-forward included in the above table, in amount of RON 123.43 million (2018: RON 125.26 million).

19. SALES REVENUES

Revenues	2019	2018
Revenues from contracts with customers	25,351.30	22,547.15
Revenues from other sources	134.17	(23.91)
Total sales revenues	25,485.47	22,523.24

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	420.63	60.81	60.81	-	-	481.44
Natural gas, LNG and power	5.84	6,557.03	13.24	6,543.79	-	6,562.87
Fuels and heating oil	-	14,157.52	14,157.52	-	-	14,157.52
Other goods and services *	48.70	4,087.01	3,981.16	105.85	13.76	4,149.47
Total	475.17	24,862.37	18,212.73	6,649.64	13.76	25,351.30

2018	Upstream	Downstream	thereof Downstream Oil	thereof Downstream Gas	Corporate & Other	Total
Crude Oil, NGL, condensates	453.03	75.97	75.97	-	-	529.00
Natural gas, LNG and power	5.29	4,981.06	10.20	4,970.86	-	4,986.35
Fuels and heating oil	-	13,277.20	13,277.20	-	-	13,277.20
Other goods and services *	62.81	3,670.09	3,668.04	2.05	21.70	3,754.60
Total	521.13	22,004.32	17,031.41	4,972.91	21.70	22,547.15

*) 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 Group 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 50.31 million (2018: RON 44.16 million).

20. OTHER OPERATING INCOME

	2019	2018
Exchange gains from operating activities	29.17	35.98
Gains on disposal of non-current assets	84.07	26.73
Write-up tangible and intangible assets	5.18	432.94
Other operating income	145.53	176.45
Total	263.95	672.10

“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 32e).

“Write-up tangible and intangible assets” included in 2018 the reversal of a previously recognized impairment for a cash generating unit in Upstream in OMV Petrom S.A., 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.

21. NET INCOME FROM EQUITY-ACCOUNTED INVESTMENTS

	2019	2018
Share of net result of associated companies	7.36	9.51
Total	7.36	9.51

22. OTHER OPERATING EXPENSES

	2019	2018
Exchange losses from operating activities	34.15	44.02
Losses on disposal of non-current assets	5.81	19.91
Net loss/ (income) from provisions for litigations	1.01	(41.89)
Other operating expenses	243.44	217.37
Total	284.41	239.41

Other operating expenses include an amount of RON 53.06 million (2018: RON 57.66 million) representing restructuring expenses.

23. COST INFORMATION

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

	2019	2018
Wages and salaries	1,580.08	1,636.57
Other personnel expenses	239.56	163.09
Total personnel expenses	1,819.64	1,799.66

Included in the above personnel expenses is the amount of RON 19.90 million, representing Group's contribution to state pension plan for the year ended December 31, 2019 (2018: RON 33.01 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	2,955.34	2,879.37
Net impairment/ (write-ups) intangible assets and property, plant and equipment	678.78	(7.05)
Total depreciation, amortization and net impairment	3,634.12	2,872.32

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 4.84 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 14.20 million, Downstream Gas segment in amount of RON 0.62 million and Corporate & Other segment in the amount of RON 0.01 million.

23. COST INFORMATION (continued)

In the consolidated income statement as at December 31, 2019 the write-ups are included in other operating income in amount RON 5.18 million (2018: RON 432.94 million) and impairment losses are included under depreciation, amortization and impairment charges in amount of RON 556.54 million (2018: RON 300.76 million) and under exploration expenses in amount of RON 127.42 million (2018: RON 125.13 million).

24. INTEREST INCOME AND INTEREST EXPENSES

	2019	2018
Interest income		
Interest income from receivables and other	86.86	13.70
Interest income from short term bank deposits	138.09	100.47
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	317.63	162.24
Interest expenses		
Interest expenses	(26.16)	(59.03)
Unwinding expenses for retirement benefits provision	(10.01)	(9.21)
Unwinding expenses for decommissioning provision, net of the unwinding income for related Romanian State receivable	(231.96)	(257.48)
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	(276.98)	(435.60)
Net interest revenues/ (expenses)	40.65	(273.36)

25. OTHER FINANCIAL INCOME AND EXPENSES

	2019	2018
Financial income		
Exchange gains from financing activities	30.71	44.44
Gains from investments and financial assets	0.11	0.23
Total financial income	30.82	44.67
Financial expenses		
Exchange losses from financing activities	(35.38)	(37.58)
Losses from financial assets and securities	(1.44)	(1.75)
Other financial expenses	(2.91)	(31.40)
Total financial expenses	(39.73)	(70.73)
Other financial income and expenses	(8.91)	(26.06)

26. TAXES ON INCOME

	2019	2018
Tax on income - current taxes	(699.81)	(705.37)
Deferred tax revenue/(expense)	57.69	(130.41)
Total taxes on income – expense	(642.12)	(835.78)

The reconciliation of net deferred tax is as follows:

	2019	2018
Deferred tax, net January 1	1,412.51	1,545.35
Adjustments on initial application of IFRS 9	-	0.07
Adjusted deferred taxes January 1	1,412.51	1,545.42
Deferred tax, net December 31	1,470.02	1,412.51
Changes in deferred tax	57.51	(132.91)
thereof deferred tax expense in the consolidated Other Comprehensive Income	(0.18)	(2.50)
thereof deferred tax (expense)/revenues in the consolidated Income Statement	57.69	(130.41)
Reconciliation		
Profit before tax	4,276.80	4,913.57
Income tax rate applicable for Parent company	16.00%	16.00%
Profit tax expense based on income tax rate of the Parent	(684.29)	(786.17)
Effect of differing foreign tax rates	0.85	0.34
Profit tax expense based on applicable rates	(683.44)	(785.83)
Tax effect of items that are (non-deductible) / non-taxable	41.32	(49.95)
Profit tax expense in the consolidated Income Statement	(642.12)	(835.78)

27. EARNINGS PER SHARE

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

	December 31, 2019	December 31, 2018
Net profit attributable to stockholders of the parent	3,634.59	4,078.10
Weighted average number of shares	56,643,903,559	56,643,903,559
Earnings per share in RON	0.0642	0.0720

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

28. SEGMENT INFORMATION

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

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

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

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

Upstream activities consist of exploration, development and production of crude oil and natural gas and are focused on Romania and Kazakhstan. Upstream products consisting of crude oil and natural gas are sold mainly inside of OMV Petrom Group.

28. SEGMENT INFORMATION (continued)

Downstream Oil produces and delivers gasoline, diesel and other petroleum products to its customers. **Refining** division, part of Downstream Oil segment, operates one Romanian refinery, Petrobrazi, with an annual capacity of 4.5 million tons. **Marketing** division, part of Downstream Oil segment, delivers products to both Retail and Wholesale customers and operates in Romania, Bulgaria, Serbia, and Republic of Moldova. OMV Petrom S.A. is the main player on the Romanian fuels market.

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, mainly extends the gas value chain into a gas-fired power plant.

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

Operating segments:

December 31, 2019	Upstream	Downstream *	Downstream Oil	Downstream Gas	Downstream elimination	Corporate & Other	Total	Consolidation	Consolidated total
Intersegment sales	9,059.89	234.00	109.00	241.52	(116.52)	199.70	9,493.59	(9,493.59)	-
Sales with third parties	481.49	24,973.93	18,236.98	6,736.95	-	30.05	25,485.47	-	25,485.47
Total sales	9,541.38	25,207.93	18,345.98	6,978.47	(116.52)	229.75	34,979.06	(9,493.59)	25,485.47
Operating result	2,589.46	1,913.18	1,475.38	437.80	-	(156.00)	4,346.64	(101.58)	4,245.06
Total assets **	23,802.46	6,808.65	5,738.25	1,070.40	-	465.62	31,076.73	-	31,076.73
Additions in PPE/IA	3,853.21	908.04	822.89	85.15	-	52.59	4,813.84	-	4,813.84
Depreciation and amortization	2,083.32	830.83	742.77	88.06	-	41.19	2,955.34	-	2,955.34
Impairment losses/ (write-ups), net	669.15	8.66	4.84	3.82	-	0.97	678.78	-	678.78

*) Sales Downstream = Sales Downstream Oil + Sales Downstream Gas – intersegmental elimination Downstream Oil and Downstream Gas;

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

28. SEGMENT INFORMATION (continued)

Information about geographical areas:

December 31, 2019	Romania	Rest of Central Eastern Europe	Rest of Europe	Rest of world	Consolidated total
Sales with third parties *	21,565.86	3,848.88	41.66	29.07	25,485.47
Total assets **	29,857.21	807.59	-	411.93	31,076.73
Additions in PPE/IA	4,693.87	130.07	-	(10.11)	4,813.84

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

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

Sales with third parties made in Rest of Central Eastern Europe include sales made in Bulgaria amounting to RON 1,848.38 million in 2019.

Additions in PPE/IA from Rest of world include RON (42.43) million net decrease from reassessment of the decommissioning asset.

Operating segments:

December 31, 2018	Upstream	Downstream *	Downstream Oil	Downstream Gas	Downstream elimination	Corporate & Other	Total	Consolidation	Consolidated total
Intersegment sales	9,214.71	234.86	132.44	195.67	(93.25)	185.00	9,634.57	(9,634.57)	-
Sales with third parties	527.74	21,958.85	17,075.07	4,883.78	-	36.65	22,523.24	-	22,523.24
Total sales	9,742.45	22,193.71	17,207.51	5,079.45	(93.25)	221.65	32,157.81	(9,634.57)	22,523.24
Operating result	3,530.52	1,671.74	1,385.40	286.34	-	(105.63)	5,096.63	116.36	5,212.99
Total assets **	22,866.45	6,521.73	5,440.16	1,081.57	-	419.86	29,808.04	-	29,808.04
Additions in PPE/IA ***	3,234.73	1,098.54	1,134.85	(36.31)	-	0.94	4,334.21	-	4,334.21
Depreciation and amortization	2,097.84	759.24	668.58	90.66	-	22.29	2,879.37	-	2,879.37
Impairment losses/ (write-ups), net	(21.88)	14.82	14.20	0.62	-	0.01	(7.05)	-	(7.05)

*) Sales Downstream = Sales Downstream Oil + Sales Downstream Gas – intersegmental elimination Downstream Oil and Downstream Gas;

**) Intangible assets (IA), 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.

28. SEGMENT INFORMATION (continued)

Information about geographical areas:

December 31, 2018	Romania	Rest of Central Eastern Europe	Rest of world	Consolidated total
Sales with third parties *	19,112.21	3,381.88	29.15	22,523.24
Total assets **	28,667.08	704.70	436.26	29,808.04
Additions in PPE/IA	4,251.59	56.52	26.10	4,334.21

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

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

Sales with third parties made in Rest of Central Eastern Europe include sales made in Bulgaria amounting to RON 1,632.87 million in 2018.

29. AVERAGE NUMBER OF EMPLOYEES

	December 31, 2019	December 31, 2018
Total OMV Petrom Group	12,720	13,409
thereof:		
OMV Petrom S.A.	11,814	12,498
Subsidiaries	906	911

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

30. 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.

There are no guarantees given or paid to related parties as at December 31, 2019 and December 31, 2018.

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

30. RELATED PARTIES (continued)

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

	Nature of transaction	Purchases	Balances payable
OMV Petrom S.A. - parent company			
OMV Supply & Trading Limited	Acquisition of crude oil and petroleum products	2,111.41	204.02
OMV Petrom Global Solutions S.R.L.	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	-
Trans Gas LPG Services S.R.L.	Various services	0.01	-
Total OMV Petrom S.A.		3,103.64	455.60

	Nature of transaction	Purchases	Balances payable
OMV Petrom Group subsidiaries			
OMV Gas Marketing & Trading GmbH	Acquisition of natural gas	159.53	-
OMV Refining & Marketing GmbH	Acquisition of petroleum products, other materials and services	130.58	19.09
OMV Petrom Global Solutions S.R.L.	Financial, IT and other services	77.69	15.36
OMV Hungária Ásványolaj Korlátolt Felelősségű Társaság	Acquisition of bitumen	27.08	1.17
OMV Gas Marketing & Trading Hungária Kft.	Acquisition of natural gas	18.09	-
OMV International Services GmbH	Various services	7.66	81.39
OMV Exploration & Production GmbH	Delegation of personnel and other	4.99	0.63
OMV Gas & Power GmbH	Delegation of personnel and other	0.77	-
OMV Aktiengesellschaft	Delegation of personnel and other	0.73	0.06
Borealis	Various services	-	0.01
Total subsidiaries		427.12	117.71
Total OMV Petrom Group		3,530.76	573.31

30. RELATED PARTIES (continued)

	Nature of transaction	Revenues	Balances receivable
OMV Petrom S.A. - parent company			
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	-
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.		764.46	104.84

	Nature of transaction	Revenues	Balances receivable
OMV Petrom Group subsidiaries			
OMV Petrom Global Solutions S.R.L.	Various services	4.24	(0.04)
OMV Gas Marketing & Trading GmbH	Sales of natural gas	1.55	-
OMV Refining & Marketing GmbH	Delegation of personnel and other	0.95	0.14
OMV Česká republika, s.r.o.	Delegation of personnel and other	0.83	-
OMV Exploration & Production GmbH	Delegation of personnel and other	0.16	0.02
Borealis	Various sales and services	0.10	-
OMV Offshore Bulgaria GmbH	Various services	0.06	0.01
Trans Gas LPG Services SRL	Various services	-	-
OMV International Services GmbH	Various services	-	12.75
Total subsidiaries		7.89	12.88
Total OMV Petrom Group		772.35	117.72

30. RELATED PARTIES (continued)

During 2019, OMV Petrom Group had the following interest expenses with related parties (including balances as of December 31, 2019 for interest payable).

	Interest expense	Balances interest payable
OMV Petrom S.A. - parent company		
OMV Petrom Global Solutions S.R.L.	1.67	0.14
Total OMV Petrom S.A.	1.67	0.14
Total OMV Petrom Group	1.67	0.14

There were no interest income and interest receivables with related parties in 2019.

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.

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

	Nature of transaction	Purchases	Balances payable
OMV Petrom S.A. - parent company			
OMV Supply & Trading Limited	Acquisition of crude oil and petroleum products	1,008.74	141.37
OMV Petrom Global Solutions S.R.L.	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 OMV Petrom S.A.		1,786.43	340.43

30. RELATED PARTIES (continued)

	Nature of transaction	Purchases	Balances payable
OMV Petrom Group subsidiaries			
OMV Refining & Marketing GmbH	Acquisition of petroleum products & services	107.69	17.18
OMV Petrom Global Solutions S.R.L.	Financial, IT and other services	79.09	18.41
OMV Hungária Ásványolaj Korlátolt Felelősségű Társaság	Acquisition of petroleum products	13.35	0.06
OMV International Services GmbH	Financial services	5.67	69.10
OMV Gas Marketing & Trading GmbH	Services and other	5.09	0.43
OMV Exploration & Production GmbH	Delegation of personnel and other	3.41	1.09
OMV Slovenija trgovina z nafto in naftnimi derivati, d.o.o.	Acquisition of petroleum products	1.88	-
OMV Gas & Power GmbH	Various services	1.38	1.38
OMV Aktiengesellschaft	Delegation of personnel and other	0.12	0.11
OMV International Oil & Gas GmbH	Delegation of personnel and other	0.01	-
Borealis	Various services	-	0.01
Total subsidiaries		217.69	107.77
Total OMV Petrom Group		2,004.12	448.20

	Nature of transaction	Revenues	Balances receivable
OMV Petrom S.A. - parent company			
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 Exploration & Production GmbH	Delegation of personnel and other	26.28	4.53
OMV Petrom Global Solutions S.R.L.	Various services	26.23	3.87
OMV Aktiengesellschaft	Delegation of personnel and other	10.45	2.54
OMV Austria Exploration & Production GmbH	Sale of fixed assets	7.09	7.09
Trans Gas LPG Services S.R.L.	Various services	0.06	0.01
Energy Production Enhancement S.R.L.	Other services	0.03	-
Borealis	Various services	0.03	0.01
OMV Supply & Trading Limited	Sales of petroleum products	-	1.03
Total OMV Petrom S.A.		662.49	91.25

30. RELATED PARTIES (continued)

	Nature of transaction	Revenues	Balances receivable
OMV Petrom Group subsidiaries			
OMV Petrom Global Solutions S.R.L.	Various services	2.00	0.18
OMV Česká republika, s.r.o.	Various services	0.80	0.10
OMV Refining & Marketing GmbH	Delegation of personnel and other	0.62	0.09
Borealis	Various services	0.11	-
OMV Offshore Bulgaria GmbH	Various services	0.06	0.01
Trans Gas LPG Services SRL	Various services	0.02	-
OMV International Services GmbH	Other services	-	12.53
OMV Aktiengesellschaft	Delegation of personnel and other	(0.07)	-
Total subsidiaries		3.54	12.91
Total OMV Petrom Group		666.03	104.16

During 2018, OMV Petrom Group had the following interest expenses with related parties (including balances as of December 31, 2018 for interest payable).

	Interest expense	Balances interest payable
OMV Petrom S.A. - parent company		
OMV Petrom Global Solutions S.R.L.	4.81	0.51
Total OMV Petrom S.A.	4.81	0.51
Total OMV Petrom Group	4.81	0.51

There were no interest income and interest receivables with related parties in 2018.

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.

30. RELATED PARTIES (continued)

The consolidated financial statements of OMV Aktiengesellschaft are prepared in accordance with IFRS as adopted by the 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: <https://www.omv.com/en/investor-relations/publications?year=2019#annual-reports>.

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 Group to the members of the Supervisory Board. As at December 31, 2019 and December 31, 2018, the Group 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).

31. DIRECT AND INDIRECT INVESTMENTS OF OMV PETROM GROUP WITH AN INTEREST OF AT LEAST 20% AS OF DECEMBER 31, 2019

Company Name	Share interest percentage	Consolidation treatment **	Activity	Country of incorporation
Subsidiaries (>50%)				
Tasbulat Oil Corporation LLP	100.00%	FC	Oil exploration and production in Kazakhstan	Kazakhstan
Kom Munai LLP	100.00%	FC	Oil exploration and production in Kazakhstan	Kazakhstan
Petrom Moldova S.R.L.	100.00%	FC	Fuel distribution	Moldova
OMV Petrom Marketing S.R.L.	100.00%	FC	Fuel distribution	Romania
OMV Petrom Aviation S.R.L.*	100.00%	FC	Airport services	Romania
OMV Petrom Gas S.R.L.	99.99%	FC	Gas supply	Romania
Petromed Solutions S.R.L.	99.99%	FC	Medical services	Romania
OMV Srbija DOO	99.96%	FC	Fuel distribution	Serbia
OMV Bulgaria OOD	99.90%	FC	Fuel distribution	Bulgaria
Petrom Exploration & Production Limited	99.99%	FC	Exploration and production services	Isle of Man
Energy Production Enhancement S.R.L.	100.00%	NC	Services incidental to oil and gas production	Romania
Associated companies (20-50%)				
OMV Petrom Global Solutions S.R.L.	25.00%	EM	Financial, IT and other services	Romania
Asociatia Romana pentru Relatia cu Investitorii	20.00%	NAE	Public representation	Romania

*) 1 (one) equity interest owned through OMV Petrom Marketing S.R.L.

**) Consolidation treatment:

FC Full consolidation

EM Accounted for at equity (associated company)

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

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

During 2019, the legal form of OMV Petrom Aviation was changed from a joint stock company to a limited liability company, Trans Gas LPG Services S.R.L. was liquidated and Brazi Oil & Anghelescu Prod Com S.R.L. was sold.

During 2018, OMV Petrom acquired the remaining non-controlling interest of 5% in Kom Munai LLP, reaching shareholding of 100%.

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

32. CASH FLOW STATEMENT INFORMATION

a) Drawings and repayments of borrowings

During 2019 OMV Petrom Group 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 100.80 million (2018: RON 32.37 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	549.30	169.44	718.74
Repayments of interest bearing debts and principal portion of lease liabilities	(226.85)	(100.80)	(327.65)
Total cash flows relating to financing activities	(226.85)	(100.80)	(327.65)
Lease liabilities recognized during the year, including transition to IFRS 16	-	637.38	637.38
Net other changes	7.68	(5.08)	2.60
Total non-cash changes	7.68	632.30	639.98
31 December, 2019	330.13	700.94	1,031.07
thereof short-term	132.25	128.79	261.04
thereof long-term	197.88	572.15	770.03

b) Non-controlling interest

There were no changes in non-controlling interest during 2019.

During 2018, OMV Petrom Group 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.

c) Investments and other financial assets

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

32. CASH FLOW STATEMENT INFORMATION (continued)

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 by OMV Petrom S.A. of first two tranches of the government grant for Brazi power plant investment (2018: nil). For details please see Note 9 b).

e) Transfer of business

In March 2019, OMV Petrom Group 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 20) and losses related to other items in amount of RON 1.05 million.

In 2018, OMV Petrom Group did not transfer any business.

32. CASH FLOW STATEMENT INFORMATION (continued)

f) Disposal of Group companies

During 2019, OMV Petrom Group did not disposed of any subsidiary.

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 Group 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	334.24
Short-term deposits	6,679.30
Cash and cash equivalents	7,013.54

33. 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	-	54.63	-	54.63
Total	-	281.64	-	281.64

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	-	45.01	-	45.01
Total	-	50.79	-	50.79

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

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)

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

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

December 31, 2019

Financial liabilities	Fair value	Carrying amount	Difference
Interest-bearing debts	335.55	330.13	5.42
Total	335.55	330.13	5.42

December 31, 2018

Financial liabilities	Fair value	Carrying amount	Difference
Interest-bearing debts	554.27	549.30	4.97
Finance lease liabilities	177.83	169.45	8.38
Total	732.10	718.75	13.35

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

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amounts are reported in the consolidated statement of financial position when OMV Petrom Group 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 Group 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 consolidated 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 Group's consolidated statement of financial position, if all set-off rights were exercised.

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	281.64	-	281.64	(188.31)	93.33
Trade receivables	1,958.23	(66.37)	1,891.86	-	1,891.86
Other financial assets	452.65	(88.45)	364.20	-	364.20
Total	2,692.52	(154.82)	2,537.70	(188.31)	2,349.39

*) Net amounts presented in the statement of financial position are detailed in Note 9.

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	3,527.17	(154.82)	3,372.35	-	3,372.35
Other financial liabilities	264.52	-	264.52	-	264.52
Total	4,005.41	(154.82)	3,850.59	(188.31)	3,662.28

*) Net amounts presented in the statement of financial position are detailed in Note 16.

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

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	66.11	(15.32)	50.79	-	50.79
Trade receivables	1,819.85	(145.62)	1,674.23	-	1,674.23
Other financial assets	568.75	(20.63)	548.12	-	548.12
Total	2,454.71	(181.57)	2,273.14	-	2,273.14

*) Net amounts presented in the statement of financial position are detailed in Note 9.

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	3,195.28	(145.62)	3,049.66	-	3,049.66
Other financial liabilities	228.51	(20.63)	207.88	-	207.88
Total	3,602.64	(181.57)	3,421.07	-	3,421.07

*) Net amounts presented in the statement of financial position are detailed in Note 16.

34. COMMITMENTS AND CONTINGENCIES

Commitments

As at December 31, 2019 the total commitments engaged by OMV Petrom Group for investments (except those in relation to joint arrangements) are in amount of RON 914.34 million (2018: RON 955.09 million), out of which RON 737.72 million related to property, plant and equipment (2018: RON 861.49 million) and RON 176.62 million for intangible assets (2018: RON 93.60 million).

The Group has additional commitments in relation to joint arrangements - for details please refer to Note 35.

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.

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

Contingent liabilities

The production facilities and properties of all Group companies are subject to a variety of environmental protection laws and regulations in the countries where they operate; provisions are made for probable obligations arising from environmental protection measures.

The 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 14).

OMV Petrom Group has contingent liabilities representing performance guarantees in amount of RON 196.73 million as at December 31, 2019 (2018: RON 36.81 million).

35. 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 the 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, Târgoviște VI, Pitești 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.

36. RISK MANAGEMENT

Capital risk management

OMV Petrom Group continuously manages its capital adequacy to ensure that its entities will be optimally capitalized, in accordance with their risk exposure, in order to maximize the return to stakeholders.

The capital structure of OMV Petrom Group consists of equity attributable to stockholders of the parent (comprising share capital, reserves and revenue reserves as disclosed in the “Consolidated Statement of Changes in Equity”) and debt (which includes the short and long term Interest bearing debts and Lease liabilities). Capital risk management at OMV Petrom Group is part of the value management and it is based on permanent review of the gearing ratio of the Group.

Net debt is calculated as interest-bearing debts and lease liabilities, less cash and cash equivalents. Due to the significant cash balance, the Group reported a net cash position of RON 5,982.47 million at December 31, 2019 (2018: RON 4,890.68 million).

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

Significant accounting policies

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

Risk exposures and responses

OMV Petrom’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.

36. RISK MANAGEMENT (continued)

Risk Management function monitors and manages the significant risks of the Group 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 Group'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 is monitored and specific treatment plans are proposed, approved and implemented accordingly in order to decrease the risk exposure.

Commodity Market Price Risk

The Group 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 Group'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 Group is especially exposed to volatile refining margins and inventory risks. In order to mitigate those risks the Group enters into corresponding hedging activities, which include margin hedges as well as stock hedges.

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 S.A. 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

36. RISK MANAGEMENT (continued)

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 consolidated statement of financial position.

Cash flow hedging - Impact on the statement of comprehensive income

	Swaps - forecast purchases	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 consolidated income statement, while for "Swaps – forecast purchase" these are included in line "Purchases (net of inventory variation)" in consolidated income statement.

36. RISK MANAGEMENT (continued)

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

	Swaps - forecast purchases	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 Group operates in many currencies therefore the corresponding exchange risks are analyzed. OMV Petrom Group is mostly exposed to the movement of the US dollar and Euro against Romanian Leu. Other currencies have only limited impact on cash 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 the Group'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 Group companies, which induce sensitivity to RON/EUR and RON/USD exchange rates in the consolidated financial statements, are as follows:

	Assets		Liabilities	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Thousand USD	153,748	64,897	130,547	25,439
Thousand EUR	72,171	87,734	250,068	208,002

36. RISK MANAGEMENT (continued)

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

The following table details OMV Petrom Group's sensitivity to a 10% increase and decrease in the USD and EUR against the relevant functional currencies. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 10% change in foreign currency rates. A positive number below indicates an increase in total comprehensive income 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 *		Thousand EUR Impact **	
	2019	2018	2019	2018
Profit/ (Loss)	14	1,613	(17,790)	(12,027)
Other comprehensive income	2,306	2,333	-	-

-10% decrease in the foreign currencies rates

	Thousand USD Impact *		Thousand EUR Impact **	
	2019	2018	2019	2018
Profit/ (Loss)	(14)	(1,613)	17,790	12,027
Other comprehensive income	(2,306)	(2,333)	-	-

*) This is mainly attributable to the exposure on USD derivative financial assets and liabilities and trade payables;

**) This is mainly attributable to the exposure on EUR interest bearing debts, lease liabilities and trade payables.

36. RISK MANAGEMENT (continued)

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 OMV Petrom Group.

Interest rate risk management

To facilitate management of interest rate risk, OMV Petrom Group's liabilities are analyzed in terms of fixed and variable rate borrowings, currencies and maturities. Currently, OMV Petrom Group 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	130.70	265.09	1.31	2.65
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 counterparty will default on its contractual obligations or on its financial standing, resulting in financial loss to OMV Petrom Group. The main counterparty credit risks are assessed, monitored and managed at Group level using predetermined limits for specific countries, banks and business partners. On the basis of creditworthiness, all counterparties are assigned maximum permitted exposures in terms of credit limits (amounts and maturities), and the creditworthiness assessments and granted limits are reviewed on a regular basis. For all counterparties depending on their liquidity class, parts of their credit limits 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.

36. RISK MANAGEMENT (continued)

OMV Petrom Group does not have any significant credit risk concentration exposure to any single counterparty or any group of counterparties having similar characteristics. The Group'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 throughout OMV Petrom Group are monitored and analyzed on a monthly basis in order to establish the expected net change in liquidity. This analysis provides the basis for financing decisions and capital commitments. To ensure that OMV Petrom Group remains solvent at all the times and retains the necessary financial flexibility, liquidity reserves in form of committed credit lines are maintained. The maturity profile of the Group financial liabilities is presented in Note 16.

37. 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.

38. 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 S.R.L. As at December 31, 2019 the related assets and liabilities were classified as held for sale (see Note 12).

On March 6, 2020, OPEC (Organization of the Petroleum Exporting Countries) 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 Group'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 90 to page 191, comprising the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements, were approved on March 17, 2020.



Christina Verchere,
Chief Executive Officer
President of the EB



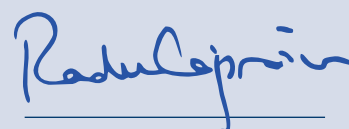
Alina Popa,
Chief Financial Officer
Member of the EB



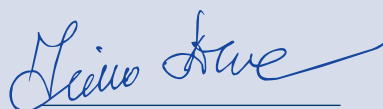
Peter Zeilinger,
Member of the EB
Upstream



Franck Neel,
Member of the EB
Downstream Gas



Radu Căprău,
Member of the EB
Downstream Oil



Irina Dobre,
Vice President Finance Department



Nicoleta Drumea,
Head of Financial Reporting



A photograph of an industrial facility, likely a gas processing plant. In the background, there are three large, vertical white storage tanks. A complex network of yellow pipes connects these tanks and other equipment. In the foreground, there are more yellow pipes, some horizontal and some diagonal. A blue motor or pump is visible on the left side. The ground is covered with gravel. The sky is overcast and grey. A blue rectangular box with white text is overlaid on the bottom right of the image.

Consolidated report on
payments to governments

Consolidated report on payments to governments for the year 2019

Introduction

Chapter 8 of the Annex 1 of Ministry of Finance Order 2844/2016 for approval of Accounting Regulations according to International Financial Reporting Standards (hereinafter the “Regulation”), transposing Chapter 10 of the Accounting Directive (2013/34/EU) of the European Parliament and of the Council, requires that large undertakings and public interest entities that are active in the extractive industry or logging of primary forests prepare and publish a report on payments to governments on an annual basis. Large undertakings and public interest entities which are under the obligation to prepare consolidated financial statements are required to prepare a consolidated report on payments to governments.

OMV Petrom S.A. (hereinafter the “Company”) is, on one side, operating in the extractive industry and, on the other side, admitted for trading on Bucharest Stock Exchange (with shares) and London Stock Exchange (with global depository receipts). Therefore, in accordance with the above mentioned Regulation, the Company has prepared the following consolidated report (hereinafter the “Report”) on payments to governments. The Report covers OMV Petrom S.A. and its subsidiaries performing extractive activities (Upstream business segment).

The ‘Basis of Preparation’ section provides information to the reader about the contents of the Report. This section also includes information on the type of payment for which disclosure is required and on the manner in which OMV Petrom has interpreted the Regulation for the purpose of the preparation of the Report.

From a socio-economic perspective, our Company and its subsidiaries (hereinafter OMV Petrom) have a larger contribution to countries in which they operate, than the reportable payments under the Regulation. OMV Petrom group companies make payments to governments also in connection with other segments of activity, not only Upstream, i.e. Downstream Oil, Downstream Gas, Corporate & Other. Besides government payments, OMV Petrom group companies contribute to the economies of the countries in which they operate by providing jobs for employees and contractors, purchasing goods and materials from local suppliers and undertaking social investment activities.

Basis of preparation

Reporting entities

Under the requirements of the Regulation, OMV Petrom is required to prepare a consolidated report covering payments made to Governments by itself and any subsidiary undertakings included in the consolidated group financial statements, which is active in the extractive industry. Therefore, the reporting entities for the purpose of this Report are OMV Petrom S.A. (Romania), Tasbulat Oil Corporation LLP (Kazakhstan) and KOM-Munai LLP (Kazakhstan).

Activities within the scope of the Report

Payments made by OMV Petrom group to governments in connection with any of the following activities: exploration, prospection, discovery, development and extraction of minerals, oils and natural gas deposits or other materials (“extractive activities”) are presented in this report.

Government

A “government” is defined as any national, regional or local authority of a country and includes a department, agency or entity undertaking that is controlled by the government authority.

Project

According to the Regulation, the payments are reported:

- ▶ on government and governmental body basis;
- ▶ by type of payment;
- ▶ on “project” basis, where possible.

For the purpose of this report “project” is defined as the operational activities which are governed by a single contract, licence, lease, concession or similar legal agreement, and form the basis for payment liabilities to the government. Where these agreements as per the aforementioned definition are substantially interconnected, they are treated for the purpose of this Report as a single project.

“Substantially interconnected” is defined as a set of operationally and geographically integrated contracts, licences, leases or concessions or related agreements with substantially similar terms that are signed with a government, giving rise to payment liabilities. Such agreements can be governed by a single contract, joint venture, production sharing agreement or other overarching legal agreement.

There may be instances - for example, corporate income taxes - where it is not possible to attribute the payment to a single project and therefore OMV Petrom discloses these payments at the country level in the current Report.

Cash and Payments in Kind

In accordance with the Regulation, amounts have to be reported on a cash basis, meaning that they are reported in the period in which they are paid, regardless of the period in which they are accounted for on an accruals basis.

Refunds are also reported in the period in which they are received and will either be offset against payments made in the period or be shown as negative amounts in the Report.

Payments in kind made to a government are converted to an equivalent cash value based on the most appropriate and relevant valuation method for each payment type. This can be at cost or market value and an explanation is provided in the Report to help explain the valuation method. If applicable, the related volumes would be also included in the Report.

Materiality

Payments made as a single payment or a series of related payments that fall below EUR 100,000 (RON 443,400) within a financial year are excluded from this Report.

Reporting currency

Reporting currency is Romanian Leu (RON). Payments made in currencies other than RON are translated for the purposes of this Report at the average exchange rate of the reporting period.

Payment types

Production Entitlements

Under production sharing agreements (PSA's) the host government is entitled to a share of the oil and gas produced and these entitlements are often paid in kind. OMV Petrom has not made such payments in the year.

Taxes

Taxes levied on income, production or profits of companies are reported. Refunds will be netted against payments and shown accordingly. Consumption taxes, personal income taxes, social security contributions, sales taxes are not reported under the Regulation. Also, other taxes such as property and environmental taxes are not reported.

Royalties

Royalties are payments for the rights to extract oil and gas resources, typically at set percentage of production value.

Dividends

In accordance with the Regulation, dividends are reported when paid to a government in lieu of production entitlements or royalties. Dividends that are paid to a government as an ordinary shareholder are not reported, as long as the dividends are paid in the same terms and conditions as to other shareholders.

For the year ended 31 December 2019, OMV Petrom had no such reportable dividend payments to a government.

Bonuses

Bonuses include signature, discovery and production bonuses in each case to the extent paid in relation to the relevant activities. OMV Petrom has not made any payments in the category in the year.

Fees

These include licence fees, rental fees, entry fees and other considerations for licences and/or concessions, respectively for access to the area where extractive activities will be performed.

The Report excludes fees paid to a government for administrative services that are not specifically related to extractive activities or access to extractive resources. In addition, payments made in return for services provided by a government are also excluded.

Infrastructure Improvements

The Report should include payments made by OMV Petrom for infrastructure improvements such as a building of a road or bridge that serve the community, irrespective if OMV Petrom pays the amounts to non-government entities. These are reported either when the cash contribution was paid to the government or when the relevant assets are handed over to the government or made available for use by the local community. Payments that have a social investment nature, donations or sponsorships are excluded from the Report.

Payments overview

The overview table below shows the relevant payments to governments that were made by OMV Petrom in the year that ended December 31, 2019.

Of the seven payment types that are required by the Regulation to be reported upon, OMV Petrom did not pay any dividends, production entitlements, bonuses or infrastructure improvements that met the Regulation definition and therefore these categories are not shown.

(in thousands of RON)	Taxes (on income, production or profit)	Royalties	Fees (license, rental, entry and others)	Total of Payments
Romania	1,041,273	759,020	147,173	1,947,466
Kazakhstan	78,893	-	4,890	83,783
Total	1,120,166	759,020	152,063	2,031,249

Payments by project, government and type of payment

(in thousands of RON)	Taxes (on income, production or profit)	Royalties	Fees (license, rental, entry and others)	Total Payments
ROMANIA				
Payments per project				
Onshore production zones	-	576,765	95,559	672,324
Onshore joint ventures	-	6,078	2	6,080
Offshore Black Sea	97,917	176,177	4,577	278,671
Non-Attributable to Projects	943,356	-	47,035	990,392
Total	1,041,273	759,020	147,173	1,947,466
Payments per Government				
State Budget	1,041,273	759,020	-	1,800,293
National Company of Forests - Romsilva	-	-	65,375	65,375
National Authority for Electricity Regulation (ANRE)	-	-	47,035	47,035
Local City Councils	-	-	19,564	19,564
National Agency for Mineral Resources	-	-	10,438	10,438
Offshore Operations Regulatory Authority (ACROPO)	-	-	4,336	4,336
CONPET S.A.	-	-	425	425
Total	1,041,273	759,020	147,173	1,947,466
KAZAKHSTAN				
Payments per project				
Tasbulat, Turkmenoi, Aktas	28,314	-	3,780	32,094
Komsomolskoe	50,579	-	1,109	51,688
Total	78,893	-	4,890	83,783
Payments per Government				
State Revenue Committee ¹	78,893	-	1,172	80,065
Training centers, universities ²	-	-	1,447	1,447
Licensed Research and Development Organizations ³	-	-	2,271	2,271
Total	78,893	-	4,890	83,783
Total	1,120,166	759,020	152,063	2,031,249

¹ State Revenue Committee of the Ministry of Finance of the Republic of Kazakhstan;

² Financing of various expenses with regard to university training centers as agreed within the concession agreement;

³ Various expenses with regard to research and development works.



Christina Verchere,
Chief Executive Officer
President of the EB



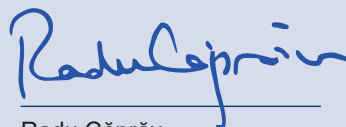
Alina Popa,
Chief Financial Officer
Member of the EB



Peter Zeilinger,
Member of the EB
Upstream



Franck Neel,
Member of the EB
Downstream Gas



Radu Căprău,
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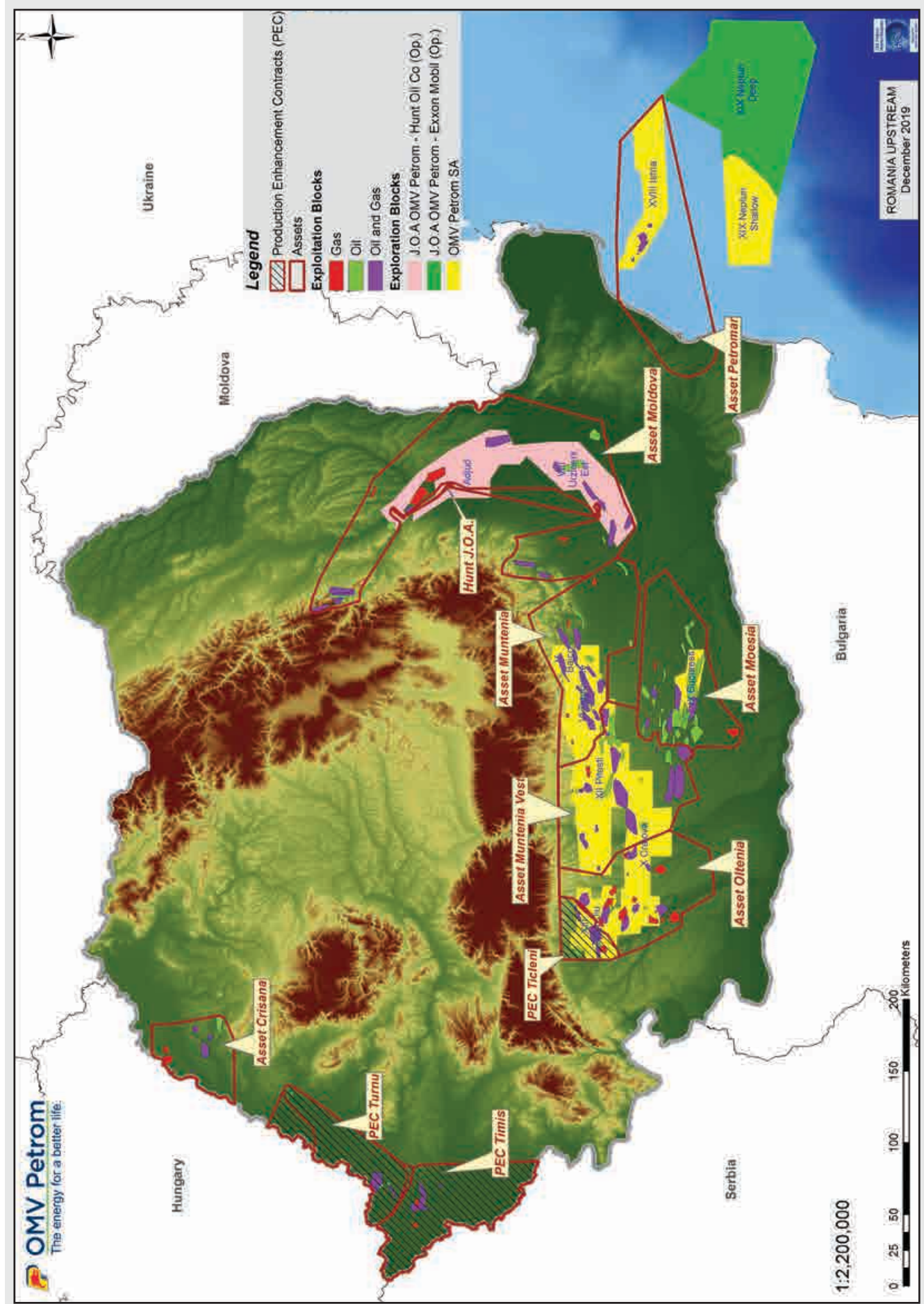
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OMV Petrom Group in figures



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