

Supervisory Board Report on OMV PETROM S.A.'s separate Financial Statements prepared in accordance with Ministry of Finance Order no. 2844/2016

In 2019, the Supervisory Board thoroughly reviewed the position and prospects of OMV Petrom S.A. ("OMV Petrom" or the "Company"), and performed its functions according to the relevant laws, the Articles of Association, the applicable Corporate Governance Code and the relevant internal regulations. We supervised the Executive Board on the management of OMV Petrom and coordinated on important matters, monitored its work and we were involved in the Company's key decisions, always following a comprehensive analysis.

The Supervisory Board received detailed information, both verbally and in writing, on issues of fundamental importance for the Company, including its financial position, business strategy, planned investments and risk management. We discussed all significant matters for OMV Petrom in the plenary meetings, based on the reports of the Executive Board.

The separate financial statements and audit report were presented for Supervisory Board examination in a timely manner. Ernst & Young Assurance Services SRL audited the 2019 separate financial statements, read the Directors' Report and has not identified information which is not consistent in all material respects with the information presented in the separate financial statements, and issued unqualified audit opinion. The auditors attended the relevant meeting of the Audit Committee convened to review the separate financial statements. The Audit Committee discussed the separate financial statements with the auditors and examined them carefully. The Audit Committee reported to the Supervisory Board on its examination and recommended the approval of the annual separate financial statements, including the management reports.

We have also reviewed and analyzed the attached report of the Executive Board (Directors' Report) presented as Appendix 1 which gives a true and fair view of the development and performance of the business and the financial position of OMV Petrom, together with a description of the principal risks and associated uncertainties as of December 31, 2019.

Hence, the separate financial statements of OMV Petrom prepared in accordance with Ministry of Finance Order no. 2844/2016 were approved in today's Supervisory Board meeting in line with the Audit Committee's recommendation and will further be submitted for approval in the Ordinary General Meeting of Shareholders to be held on April 27, 2020.

Furthermore, we have reviewed and approved the separate report on payments to governments for the year 2019, prepared in accordance with Chapter 8 of the Annex 1 of 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.

Bucharest, March 17, 2020



Rainer Seele

President of the Supervisory Board

Appendix 1

Directors' Report on OMV PETROM S.A.'s separate Financial Statements prepared in accordance with Ministry of Finance Order no. 2844/2016 and in compliance with the Regulation no. 5/2018, Appendix 15, issued by the Financial Supervisory Authority

Overview of the Company's nature

The Company's headquarters is located at Coralilor Street no. 22, district 1, Bucharest, Romania. The Company was set up according to the Government Ordinance no. 49/October 1997, approved by Law no. 70/April 1998. The Company is registered with the Trade Register under number J40/8302/1997 and has as unique fiscal registration code RO1590082. The Company has as main activities exploration and production of hydrocarbons, sale of natural gas, refining of crude oil, marketing of petroleum products, as well as production and sales of electricity. OMV Petrom performs its activity either directly or through its affiliates in Romania, Kazakhstan (only exploration and production of hydrocarbons) and Bulgaria, Serbia and Republic of Moldova (only marketing of petroleum products).

An 18.35% stake of the Company's capital represents the free float, traded as shares within the Premium category of the Bucharest Stock Exchange, under SNP symbol and as global depositary receipts (GDRs) within the Standard category on the main market for listed securities of the London Stock Exchange under the symbols "PETB" and "PETR". Market capitalization as of December 31, 2019 was RON 25,319,916,426.

The Company is the parent company of OMV Petrom Group ("the Group"). Separate individual financial statements for the year ended December 31, 2019 are prepared in accordance with International Financial Reporting Standards as endorsed by the European Union (EU IFRS), as the Ministry of Finance Order (MOF) no. 2844/2016 stipulates that Romanian listed companies must prepare financial statements in accordance with IFRS as endorsed by European Union (EU). The annual consolidated financial statements are also prepared by the Company in accordance with IFRS as endorsed by the EU. In its turn, the parent Company OMV Petrom S.A. is part of the OMV Group which prepares consolidated financial statements at the level of OMV Aktiengesellschaft, with its registered office at Trabrennstrasse 6-8, 1020 Vienna, Austria. The annual consolidated financial statements of the OMV Petrom Group and OMV Group are public and may be obtained from the companies' websites, i.e. www.omvpetrom.com and www.omv.com.

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

As at December 31, 2019 and 2018 the total share capital amounted to RON 5,664,410,833.50, representing 56,644,108,335 shares with a nominal value of RON 0.1 per share.

The shareholders' structure as at December 31, 2019 is presented below:

	<u>No. of shares</u>	<u>Percent</u>
OMV Aktiengesellschaft	28,894,467,414	51.011%
Romanian State	11,690,694,418	20.639%
Fondul Proprietatea S.A.	5,663,548,078	9.998%
Legal entities and private individuals	<u>10,395,398,425</u>	<u>18.352%</u>
Total	<u>56,644,108,335</u>	<u>100.000%</u>

As of December 31, 2019 the number of GDRs was 182,780, equivalent of 27,417,000 ordinary shares, representing 0.05% of the share capital.

As of December 31, 2018 the number of GDRs was 237,922, equivalent of 35,688,300 ordinary shares, representing 0.06% of the share capital.

1. Analysis of the company's activity

1.1. a) The activity developed or which is to be developed by the company and its subsidiaries

OMV Petrom develops the following main activities:

- The exploration and production of crude and natural gas on fields located onshore and offshore;
- Emergency works, commissioning and repair of wells;
- Crude refining;
- The distribution, transport, storing, marketing, bunkering of ships and the supply of airships with crude oil products;
- Wholesale and retail trade in merchandise and miscellaneous products;
- The import and export of crude, petroleum products, petrochemicals and chemicals, equipment, machines and specific technologies;
- Production, transmission, distribution, trade of electricity;
- Medical and social activity for its own employees and third parties;
- Other activities established and detailed in the Articles of Association of the company.

The detailed structure of the consolidated companies in OMV Petrom Group at December 31, 2019 is presented in Annex a) to the current report.

b) The date when the company was established

The Company was established on October 27, 1997 and started its activity as of November 1, 1997, as per the Emergency Ordinance no. 49/1997 approved through Law no. 70/1998 under the name of S.N.P. Petrom S.A. (SNP – Societatea Nationala a Petrolului/ National Oil Company). In the Extraordinary General Meeting of Shareholders dated September 14, 2004 the change of the Company's name from SNP Petrom SA to S.C. Petrom S.A. was approved.

Starting January 1, 2010, the Company name is OMV Petrom S.A., based on the Resolution of the Extraordinary General Meeting of Shareholders dated October 20, 2009.

c) Mergers or significant reorganizations of the company, the subsidiaries or the companies controlled performed during the financial year.

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

d) Asset acquisitions and/or alienation

On March 1, 2019, OMV Petrom S.A. finalized the transfer of nine onshore oil and gas fields in Romania to Mazarine Energy Romania S.R.L., a fully owned subsidiary of Mazarine Energy B.V., after the relevant authorities approved the transfer. The agreement for the transfer of these fields was signed in September 2018.

In December 2019, OMV Petrom signed a contract to acquire a stake in the Han Asparuh exploration license in Bulgaria held by OMV Offshore Bulgaria GmbH, by acquiring all its shares from OMV Exploration & Production GmbH. Closing of the transaction is subject to certain conditions precedent and is expected by mid-2020.

In December 2019, OMV Petrom S.A. reached an agreement for the transfer of 40 marginal onshore oil and gas fields in Romania to Dacian Petroleum S.R.L., as part of the portfolio optimization program, which aims to streamline operations and focuses on the core and most profitable fields. Subsequent to year-end, on January 8, 2020, the transfer agreement was signed.

e) Overview of the main results of the company

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 performance was strong, with an Operating result of RON 4 bn and operating cash flows of RON 6.9 bn. In addition, we also paid higher dividends, of RON 1.5 bn, for the financial year 2018, an increase of 35% compared to the previous year. As a result, our free cash flow after

dividends reached RON 2.3 bn. Our balance sheet remained solid, with cash reserves of RON 6.8 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.

The **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.

1.1.1. General evaluation elements

Item, RON mn	2019	2018	2017
Net income	3,564	3,880	2,400
Net turnover	19,944	17,782	14,783
Operating Result	4,017	4,883	2,990
Operating expenses	16,769	13,989	12,566
Liquidity (cash and cash equivalents)	6,795	4,901	3,780

In 2019, OMV Petrom's Operating Result amounted to RON 4,017 mn, compared to RON 4,883 mn in 2018, influenced mainly by the unfavorable market environment, by the provision for future estimated soil remediation costs in relation to Arpechim refinery site and by an impairment of assets held for sale in Upstream. In contrast, 2018 also benefitted from reversal of an impairment in Upstream.

The information related to net turnover split per geographical areas is presented below:

RON mn	2019	2018	2017
Romania	19,641	17,574	14,408
Rest of CEE	252	196	363
Rest of Europe	42	-	-
Rest of world	9	11	13
TOTAL	19,944	17,782	14,783

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

Please see section 5 for a detailed analysis of the financial statements.

1.1.2. Evaluation of the company's technical expertise

a) Main products and services

OMV Petrom is an integrated oil and gas company, covering the full chain of upstream and downstream activities. Its products can be grouped into the following categories, representative for the company's activity:

- Crude oil;
- Natural gas;
- Petroleum products: e.g. gasoline, diesel, kerosene, heavy fuel oil, LPG;
- Electricity.

b) Main outlets for each product or service and the distribution methods

OMV Petrom is present on relevant markets as a producer and supplier of crude oil and natural gas, petroleum products and electricity.

- **Crude oil:** OMV Petrom accounts for almost the entire oil production in Romania which is delivered to its own refinery - Petrobrazi; the crude transportation is handled by the state owned company Conpet S.A.
- **Natural gas:** OMV Petrom accounts for approximately half of the gas production in Romania. A small part of the natural gas produced by OMV Petrom is used in the Upstream activity. The remaining volumes are placed on the market, to industrial end-users, as well as to wholesalers, either via bilateral contracts or on the centralized markets, while also partly delivered to internal consumers (such as the Brazi power plant). In 2019, following changes in legislation, OMV Petrom supplied natural gas to the regulated market, 12.5 TWh, according to the allocation in force. For the delivery of the natural gas, OMV Petrom uses the national pipeline system of Transgaz and also its own network.
- **Petroleum products:** These products are either produced in the Petrobrazi refinery or supplied from third parties and are sold to both Romanian and international markets. The company uses both retail and wholesale distribution channels, directly or through affiliates, to sell the refined products. The Group's retail supply channel consisted in a network of 793 fuel filling stations as of end-2019, of which 556 filling stations in Romania and the other 237 in the neighboring countries: Bulgaria, Serbia and the Republic of Moldova. Retail market share¹ in the operating region was 32%, despite increased competition.
- **Electricity:** OMV Petrom owns and operates the combined cycle Brazi power plant. In 2019, the power plant generated a net electrical output of 3.4 TWh in the context of 93% availability, thus covering approximately 6% of Romania's electricity production, same percentage as in 2018. In addition to supplying both the wholesale power market, as well as our retail customer portfolio, the plant was able to capture opportunities on the balancing market. The plant had a legal obligation to supply 1.14 TWh at the price of RON 259.58/MWh to the regulated power market. For the delivery of the power, OMV Petrom uses the national power grid of Transelectrica.

c) Analysis of various revenues types

The weight of each revenue category in total revenues is presented in the table below:

Item	Total value – RON mn			Share in revenues (%)		
	2019	2018	2017	2019	2018	2017
Operating revenues *	20,789	18,888	15,607	98	98	98
thereof Turnover	19,944	17,782	14,783	-	-	-
Financial revenues	409	299	368	2	2	2
TOTAL	21,199	19,188	15,975	100	100	100

Figures in this and the following tables may not add up due to rounding differences.

* The difference to Turnover represents other operating income and income from consolidated subsidiaries and equity-accounted investments.

d) New products

To respond to the market requirements, latest industry trends and to offer qualitative and environmental-friendly products, OMV Petrom developed at the Petrobrazi refinery a new marine fuel oil with low sulfur content of up to 0.5%. This product is unique to the Romanian market. The fuel allows shippers to reduce sulfur emissions and to be compliant with the International Maritime Organization (IMO) 2020 regulations. The first delivery took place in Port Constanța, at the end of 2019.

The process of obtaining low-sulfur marine fuel oil was possible with a EUR 3 million investment in the production logistics facilities at the Petrobrazi refinery. Before 2020, shipping carriers could use heavy fuel oil with a sulfur content of 3.5%. The new marine fuel oil obtained at the Petrobrazi refinery has only up to 0.5% sulfur content, in line with the IMO global sulfur limit applicable to the shipping industry starting from 2020. Up until the launch of this product, the Romanian market was supplied exclusively by import. At

¹ OMV Petrom's estimates based on preliminary data available; OMV Petrom retail market share is calculated by dividing retail sales (Gasoline + Diesel) to total retail market (Gasoline + Diesel)

Petrobrazil refinery, at least 70 kt of marine fuel oil with low sulfur content can be produced annually, subject to production optimization to meet demand and maximize value added.

1.1.3 Evaluation of the provision of technical and material resources (domestic and imports)

OMV Petrom is processing mainly domestically produced crude oil in its Petrobrazil refinery in order to obtain petroleum products and to maximize the company's integration value. The Company is also constantly evaluating the economic benefits from processing imported crude. During 2019, OMV Petrom processed 867 thousand tons imported crude oil (2018: 363 thousand tons).

1.1.4. Overview of the sale activity

A breakdown of turnover per each business segment is presented in the table below:

Turnover per segments of activity, RON mn	Year ended December 31		
	2019	2018	2017
Upstream	70	86	79
Downstream Oil	13,503	13,046	10,530
Downstream Gas	6,335	4,609	4,137
Corporate and Other	36	40	37
Total	19,944	17,782	14,783

Turnover per segments refers to sales to third parties (excluding inter-segmental sales).

The Company's **turnover** in 2019 increased by 12% to RON 19,944 mn compared to 2018. Turnover increased mainly in Downstream Gas, driven by higher sales volumes and prices for natural gas, as well as higher electricity prices compared to prior year. In Downstream Oil, sales improved by 4%, reflecting the improved demand in all sales channels in 2019 and lower refined product availability in the prior year due to the refinery turnaround.

OMV Petrom S.A. is the parent company of OMV Petrom Group whose business model envisages the use of several sales channels and subsidiaries. Therefore, we also present the turnover breakdown at OMV Petrom Group level:

Group turnover per segments of activity, RON mn	Year ended December 31		
	2019	2018	2017
Upstream	481	528	458
Downstream Oil	18,237	17,075	14,470
Downstream Gas	6,737	4,884	4,473
Corporate and Other	30	37	34
Total	25,485	22,523	19,435

Group turnover per segments refers to sales to third parties (excluding intra-group sales).

a) Sales evolution and outlook

The figures in the table below reflect OMV Petrom Group total sales of fuels and gas, as well as electricity output.

Products	Year ended December 31			Changes in %		
	2019	2018	2017	19/18	18/17	17/16
Total refined product sales (kt)	5,462	4,987	5,073	10	(2)	1
thereof retail sales (kt)	2,847	2,743	2,703	4	1	7
Gas sales (TWh)	54.8	47.3	51.4	16	(8)	(6)
thereof to third parties (TWh)	47.2	38.9	45.3	21	(14)	(11)
Total net electrical output (TWh)	3.4	3.8	2.7	(11)	41	30

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 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).

In 2019, in the non-retail distribution channel, 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.

With a very strong gas sales performance, OMV Petrom's total gas sales volumes increased to 54.8 TWh in 2019, by 16% year-on-year, 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.

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.

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 2020, refining margins are expected to be above USD 5/bbl. Demand for oil products is expected to be above the 2019 level; demand for gas and power is expected to be broadly similar to 2019. In Downstream Oil, the refinery utilization rate is expected to be above 90%, including a two-week planned shutdown in Q2 for maintenance works. We estimate total gas sales volumes and the net electrical output to be slightly lower vs. 2019. For Brazi power plant we planned a shutdown in Q2/20: two weeks for the entire capacity.

b) Company's market share. Main competitors

With daily hydrocarbon production of 145.1 kboe/d and an oil/gas split of roughly 45%/55% in 2019, OMV Petrom accounts for almost the entire crude oil production and for approximately half of the gas production in Romania.

As per OMV Petrom's estimates, national gas consumption was approximately 6% lower compared to 2018, mainly weather driven, and was covered by lower domestic production and significantly higher imports. OMV Petrom supplied approximately 45% of Romania's total estimated gas consumption in 2019, both from its equity Upstream production as well as from acquisitions from third parties. The national domestic gas production was covered mainly by OMV Petrom and Romgaz, with relatively small volumes also provided by other, smaller private operators. Based on partial data available at this time, the largest importers were Engie and Valahia Gaz, while OMV Petrom also imported significant volumes.

According to 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). Based on partial data available at this time, the main power generators in 2019 were: Hidroelectrica, Nuclearelectrica, Complexul Energetic Oltenia. The thermal power plants covered ~40% of the total national electricity production, the hydropower plants ~27%, the nuclear-power plant ~19%, while the renewable plants covered the remainder ~14%. The Brazi power plant covered 6% of Romania's electricity production in 2019.

The Romanian refining sector consists of four refineries in operation: Petrobrazi (owned by OMV Petrom), Petromidia and Vega (owned by Rompetrol – majority owned by Kaz Munay Gas), Petrotel (owned by Lukoil), which have a total operational capacity of approximately 13 mn tons/year. In 2019, the refineries processed a total quantity of approximately 12.1 mn tons of crude, according to the data provided by the National Institute of Statistics (NIS).

Retail market share² in the operating region was 32%, reflecting improved efficiency, despite increased competition.

c) Description of any significant dependency of the company on a single customer or on a group of customers whose loss would have a negative impact on the company's income

Given the wide range of products, OMV Petrom, also through its affiliates within the Group, has a large base of customers. Therefore, there are no third party clients which can materially affect the activity of the Company.

In addition, as a member of OMV Group, OMV Petrom has broadened its customer base with some of the affiliated companies within the OMV Group. Transactions with affiliated companies are made on arm's length basis and are presented in the separate financial statements of OMV Petrom S.A. and reported to the Bucharest Stock Exchange and Financial Supervisory Authority (ASF) as per the latter's requirements.

1.1.5. Evaluation of issues related to the company's employees/staff

a) The number and expertise of the company's employees

The average number of employees, calculated as average of the month's end number of employees during the year is presented below:

	The average number of employees		
	2019	2018	2017
Average for the year	11,814	12,498	13,322

² 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)

The average number of employees decreased in 2019 as a result of outsourced activities, as well as reorganization and restructuring programs continued by the Company as a consequence of process optimization and cost efficiency measures.

As of December 31, 2019, the OMV Petrom S.A. workforce comprises 71.67% employees with a high school diploma or higher degrees in oil engineering and other fields (technical/financial/legal etc., thereof 43.52% higher degrees and 28.15% high school diploma).

The majority of the employees are members of the representative trade union SNP (Sindicatul National Petrom) affiliated to SNPE ("Sindicatul National Petrom-Energie"), while a small number of employees are members of trade unions affiliated to "Energetica" Federation and "Lazar Edeleanu" Federation.

b) The relationship between management and employees as well as of any conflict elements which characterize this relationship

The dialog between unions and management continues on a regular basis. The key elements of the framework outlining the relationship between management and employees are the Collective Labor Agreement (CLA), Internal Rules and Parity Commissions on implementation of CLA, HSSE topics and others. The reorganization and/or outsourcing projects that the Company has entered were aligned by both parties.

As of 2007, the wording of some provisions of the previous CLA (as such were amended) applicable within OMV Petrom led to a high number of labor litigations through which employees requested the granting of certain rights (e.g. payment of certain bonuses) deriving from the CLA, rights allegedly not granted to them. At the time of this report, some of these types of litigations are still in progress at various stages, although in a decreasing number across the country. OMV Petrom considers that the respective rights were granted (as regards bonuses, these were included and maintained in the base salary of the employees), therefore the claims being unjustified. The company's standpoint is considered by courts in the vast majority of the cases, as a result most cases have been finally won by OMV Petrom and only limited claims were received in the last years.

Following the assessment of the potential liabilities with respect to ongoing cases, the provision booked in prior years to cover this litigation risk was subject to reduction in the period 2015 - 2019. OMV Petrom took all possible actions and contracted all necessary resources to defend against these lawsuits and also to prevent a further increase in likelihood of litigation risk. In addition, over the years, the provisions of the CLA were amended so as to limit the possibility of different interpretations that would trigger new litigations. At the end of 2019, a new CLA was signed, following the expiration of the previous CLA. The provisions of the new agreement were drafted and negotiated taking into consideration the litigation experience and the view the courts have in interpreting the employees' rights as resulting from the CLA and are meant to mitigate further litigations deriving thereof. The currently applicable CLA expires at the end of 2021. Furthermore, employees' information on this matter was substantially increased in order to raise awareness on the topic and a focus was put on clarifying discussions with claimants.

1.1.6. Evaluation of issues related to the impact of the issuer's main activity on the environment

Summary description of the impact of the company's main activity on the environment and any existing or envisaged disputes about violations of environmental protection legislation

Information on the impact of the company's main activity on the environment and any existing or envisaged disputes about violations of environmental protection legislation may be found in the Sustainability Report to be issued by the Company by June 30, 2020, as per the legal requirements with reference to the disclosure of non-financial information.

OMV Petrom is involved in various court file cases regarding pollution claims, due to current or former specific oil and gas operations. As examples to illustrate the related events, we may refer to spills, leaks and other contamination resulting from, inter alia, ageing infrastructure and operating or waste management or accidents, resulting in various claims, such as requests for damages related to environmental restoration, lack of use of lands, fines and other measures imposed by the environmental authorities, challenges of acts issued by authorities with respect to environmental matters (including those referring to environmental taxes set up by local authorities).

Nevertheless, the Company is aiming to observe the specific measures with respect to the environmental matters, as imposed by the environmental authorities and the law, in due time, in which regard the Company endeavors to take necessary measures to obtain access to the relevant lands, also via court claims.

1.1.7 Evaluation of research and development activities

In line with its strategic direction, the Company continued its exploration efforts in order to create new potential for discoveries. In 2019, the exploration expenditure amounted to RON 427 mn, compared to RON 466 mn in 2018, lower drilling activities (2 wells in 2019 vs 7 wells in 2018) being counterbalanced by increased seismic acquisitions and geological and geophysical activities.

The Company also owns the Institute of Research and Technological Design (ICPT) Campina that is part of the Upstream Division. ICPT was set up in 1950 and has become an important center of scientific research for the oil industry, being a pioneer in terms of developing field engineering, drilling and extraction methodologies. With a vast experience in oil industry research, ICPT performs complex laboratory analysis, offers technical support and expertise at a high level of quality and efficiency, covering the needs of exploration and production activities. In 2019, total expenses incurred by ICPT were in the amount of RON 20.4 mn (2018: RON 20 mn) and in 2020 are expected to reach RON 43.5 mn. Capital expenditure was in the amount of RON 1.8 mn (2018: RON 1.4 mn), while for 2020 it is anticipated to be around RON 2.4 mn.

1.1.8. Evaluation of the company's risk management activity

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 organization. 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.

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 Company'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.

Strategic Risks



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.

1.1.9. Estimates of the company's activity

a) Factors which affect or could affect the company's cash position

Outlook for 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 (2019: USD 64/bbl). Refining margins are expected to be above USD 5/bbl. Demand for oil products is expected to be above the 2019 level; demand for gas and power is expected 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 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.

In **Upstream** we plan to maintain production decline below 5% yoy, excluding portfolio optimization. Regarding our portfolio optimization program, we will continue to focus on the most profitable barrels: the closing of the transfer of 40 marginal fields to Dacian Petroleum is expected in H2/20; we will simplify our footprint and focus on our strategic assets. We plan investments of around RON 3.0 bn to be spent for drilling around 100 new wells and sidetracks and maintain a constant level of workovers yoy as well as near field and enhanced oil recovery opportunities to improve ultimate recovery factors. Our exploration expenditures are estimated to be around RON 0.3 bn, 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 and to evaluate potential of drilled exploration wells. The closing of 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) is expected 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**, 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. We estimate total gas sales volumes and net electrical output to be slightly lower vs. 2019. The Brazi power plant is no longer required to supply the regulated power market in 2020, as per current allocation;. For Brazi power plant we planned a shutdown in Q2: two weeks for the entire capacity.

Investments for 2020

At the 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. We remain keen to see the Neptun Deep strategic project being 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.

Regarding the partnership with Auchan, contractual negotiations ongoing.

In section 1.1.8. are detailed potential risks that could affect the company's cash position.

The main factors that affected the company's cash flow during 2019 are presented in section 5.

b) Capital expenditures (CAPEX) and other additions

Investments ¹⁾ , RON mn	2019	2018	2017
Upstream	3,342	4,549	3,093
Downstream Oil	556	920	340
Downstream Gas	100	26	87
Corporate and Other	90	1	2
Total	4,087	5,495	3,522

¹⁾ Include amounts for fixed assets acquisitions, financial investments, advance payments on fixed assets, land deeds, leases and excludes increases from reassessment of provisions. The 2019 figure also includes the right of use of assets derived from the adoption of IFRS 16 Leases, including the first-time application impact.

Investments made by OMV Petrom S.A. in 2019 amounted to RON 4,087 mn, lower by 26% compared to 2018.

Investments in Upstream activities (RON 3,342 mn) represented 82% of 2019 total, being 27% lower than in 2018, mainly due to the contribution in 2018 of USD 335 mn (RON 1,365 mn) to the share capital of Kom Munai LLP, reflected in financial investments.

Downstream Oil investments amounted to RON 556 mn in 2019, being routed mainly to the completion of a modern, closed blowdown system at the Coker unit and to the upgrade of unloading and storage facilities for bio-blending components at Petrobrazi refinery. 2018 investments of RON 920 mn were considerably higher, due to the Petrobrazi refinery turnaround, tie-in projects and the Polyfuel growth project.

Downstream Gas investments (RON 100 mn) were mainly in relation to works related to Brazi power plant planned shutdown in Q2/19.

Corporate & Other investments amounted to RON 90 mn (2018: RON 1 mn), mainly as a result of the adoption of IFRS 16 Leases.

c) Factors which significantly affect the income generated by the company's main activity

Operating Result per segments of activity, RON mn	Year ended December 31		
	2019	2018	2017
Upstream	2,515	3,365	1,542
Downstream Oil	1,311	1,243	1,536
Downstream Gas	448	273	67
Corporate and Others	(163)	(114)	(83)
Operating Result Consolidation ¹	(94)	117	(71)
Total	4,017	4,883	2,990

¹ Operating Result Consolidation result represents the inter-segmental profit elimination

During 2019, in the **Upstream** segment, Operating Result amounted to RON 2,515 mn, compared to RON 3,365 mn in 2018, mainly affected by lower oil prices and higher depreciation, partly compensated by favourable exchange rate (FX) effects and higher gas prices. The Operating Result was also impacted by the net income from consolidated subsidiaries and equity accounted investments in amount of RON 58 mn (2018: net loss of RON (16) mn). Average Urals crude prices decreased by 8% compared to 2018 to USD 64.19/bbl. Domestic crude oil and NGL production was 24.06 mn bbl, 2% down compared with 2018, mainly due to the natural decline and the transfer of nine marginal fields to Mazarine in March 2019, partially compensated by the contribution from new wells. Domestic gas production was 28.92 mn boe, 7% lower compared to the 2018 level, due to the natural decline in main fields, as well as planned and unplanned surface works, partly compensated by the contribution of 4461 Totea South exploration well, which started production in October 2019. Production cost in Romania was USD 11.03/boe, 3% lower vs. 2018, mainly due to favorable FX effects, which compensated the impact from lower production available for sale; in RON terms, it increased by 4% to RON 46.77/boe.

In the **Downstream Oil** segment, Operating Result increased to RON 1,311 mn, as compared to RON 1,243 mn in 2018, reflecting the low base effect from the prior year's Petrobrazi refinery turnaround, the improved operational performance in refining and the higher sales volumes, partly offset by the set-up of the provision for future estimated soil remediation costs in relation to Arpechim refinery site. Operating result was also impacted by the net income from consolidated subsidiaries and equity accounted investments in amount of RON 494 mn (2018: RON 408 mn). In 2019, the OMV Petrom indicator refining margin decreased vs. 2018 by USD 1.61/bbl to USD 4.67/bbl, as a result of lower spreads for products, mainly gasoline. The refinery utilization rate came in at 97% (2018: 85%, impacted by the six-week planned turnaround).

In the **Downstream Gas** segment, Operating Result was RON 448 mn, as compared to RON 273 mn in 2018, reflecting the optimization of products and clients portfolio, as well as temporary positive effects from forward contracts, which compensated the weaker power business performance caused by deteriorated market conditions. The 2018 result also reflected insurance revenues related to the Brazi power plant amounting to RON 82 mn. Operating result was also impacted by the net income from consolidated subsidiaries and equity accounted investments in amount of RON 63 mn (2018: RON 55 mn). Brazi power plant generated a net electrical output of 3.38 TWh (2018: 3.81 TWh).

Operating Result in the **Corporate and Other** (Co&O) segment amounted to RON (163) mn, (2018: RON (114) mn).

2. Tangible Assets

2.1. The location and the main features of the production equipment owned by the company

OMV Petrom S.A. performs its activities in all the counties of the country, in Bucharest and in the Black Sea continental shelf, but also in Kazakhstan and the neighboring countries (Republic of Moldova, Bulgaria and Serbia), directly or via its subsidiaries.

Upstream:

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.

The Company has a significant asset base in its Upstream business, in the form of property, plant and equipment used to exploit the Company's hydrocarbon reserves. This base also includes assets related to oil and gas service business, such as workover, maintenance and logistics activities.

Gas:

Being a marketing business, the Gas segment does not have production equipment or a significant asset base.

Power:

OMV Petrom owns an 860 MW gas fired power plant located in Brazi.

Doljchim:

OMV Petrom continued the activities related to the dismantling process at Doljchim, to prepare the site for future alternative use.

Refining:

OMV Petrom has two refineries: Petrobrazi (in operation) and Arpechim (not operating since 2011).

In 2019, OMV Petrom exclusively operated its upstream integrated refinery, Petrobrazi, with a total operational capacity of 4.5 million tons /year.

Retail:

Through its affiliates, OMV Petrom operates 556 retail filling stations in Romania and 237 stations in the neighboring countries of Bulgaria, Serbia and the Republic of Moldova.

Number of retail filling stations per country	2019	2018	2017
Romania	556	558	555
Republic of Moldova	81	82	79
Bulgaria	94	93	91
Serbia	62	61	61
Total	793	794	786

OMV Petrom S.A.

Tangible assets, RON mn (Net Book Value)	Balance at 31.12.2019	Balance at 31.12.2018
Land, land rights and buildings, incl. buildings on third-party property	1,411	1,353
Oil and gas assets	18,931	18,260
Plant and machinery	4,424	4,137
Other fixtures and fittings, tools and equipment	421	95
Assets under construction	408	830
Total tangible assets	25,594	24,676

2.2. The degree of wear-out for fixed assets

The core items within the Upstream segment are depreciated using the unit of production method, while other tangible and intangible assets are depreciated on a straight-line basis according to estimated useful life, starting with the following month to the put in function date.

The accumulated depreciation and impairments of the tangible assets are presented in the table below:

Tangible assets, RON mn (accumulated depreciation and impairments)	Balance at 31.12.2019	Balance at 31.12.2018
Land, land rights and buildings, incl. buildings on third-party property	1,132	1,040
Oil and gas assets	20,621	19,244
Plant and machinery	5,983	5,603
Other fixtures and fittings, tools and equipment	282	250
Assets under construction	18	18
Total accumulated depreciation and impairments for tangible assets	28,035	26,156

2.3. Potential issues related to ownership rights over the company's tangible assets

Romanian law allows former owners of land and/or buildings which were abusively confiscated by the Romanian State during the communist regime to recover their ownership rights under certain conditions. Although, under laws regarding the restitution of property confiscated during the communist regime, the land which is subject to oil-related activities cannot be restored in kind to its former owner, there are many cases where restitutions in kind have occurred. However, in many such cases, the courts have declared such restitution null and void.

The Company has received notifications regarding the restitution of the assets confiscated by the Romanian State between March 6, 1945 and December 22, 1989, which falls under the incidence of Law no. 10/2001. In total, until December 31, 2019, a number of 1,143 notifications were transmitted to OMV Petrom, out of which:

- 18 notifications were admitted and buildings were restored and 1 notification was issued with proposal of compensations granted under special Law no. 165/2013;
- 1,092 notifications were rejected due to the failure to comply with the requirement of Law no.10/2001;
- 31 notifications were redirected to other entities;
- 1 notification (1 file case opened based upon notifications) is currently under analysis.

As per Article 7.2, in conjunction with the provisions of Article 26 of the Methodological Norms for the application of Law no. 10/2001, approved through Government Decision no. 498/2002, the City Halls or the notified Prefectures are under the obligation to identify the owning entity and to direct the notifications to these entities for resolution. At the same time, those who submitted the notifications are informed that the requested asset is not under administration of these entities and also the name of the entity in charge to solve the notification. Due to the fact that up to this date the activity of solving notifications within the City Halls' and Prefectures' Commissions is still in progress, part of the notifications received may be further directed to OMV Petrom.

Apart from that, oil, gas and power activities involve significant hazards. Our assets are subject to risks generally relating to the exploration for and production of oil and gas, including blowouts, fires, equipment failure, tanker accidents, damage or destruction of key assets and other risks that can result in loss of property, caused by a number of natural and man-made acts or disasters such as human error, acts of theft or vandalism, adverse weather conditions, earthquakes or other natural disasters and force majeure events. Offshore operations, in particular, are subject to a wide range of hazards, including capsizing, collision, bad weather and environmental pollution.

Although we maintain insurance as per best international practice in the industry, in certain circumstances, our policies may not indemnify for the incurred damages or financial losses in full due to the absence of Company's legal liability, assumed retentions of loss (including decisions to not insure a risk within the tolerance level) or unacceptable risks for the insurers (exclusions) for which alternative risk mitigations and treatment can be applied either to control the probability of occurrence, consequences, velocity or combination of these.

3. The Market of the Securities issued by the Company

3.1. The markets in Romania and in other countries where the securities issued by the company are traded

OMV Petrom **shares** are traded on the Bucharest Stock Exchange since September 3, 2001 and in the form of **global depositary receipts** (GDRs) on main market of the London Stock Exchange (LSE) since October 20, 2016.

OMV Petrom share symbols

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

OMV Petrom GDRs symbols

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

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 14 January 2019. With the GEO 19/2019 that softened some of the GEO 114 provisions, OMV Petrom share price started to recover, witnessing mostly an upward trend by year end, with 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.

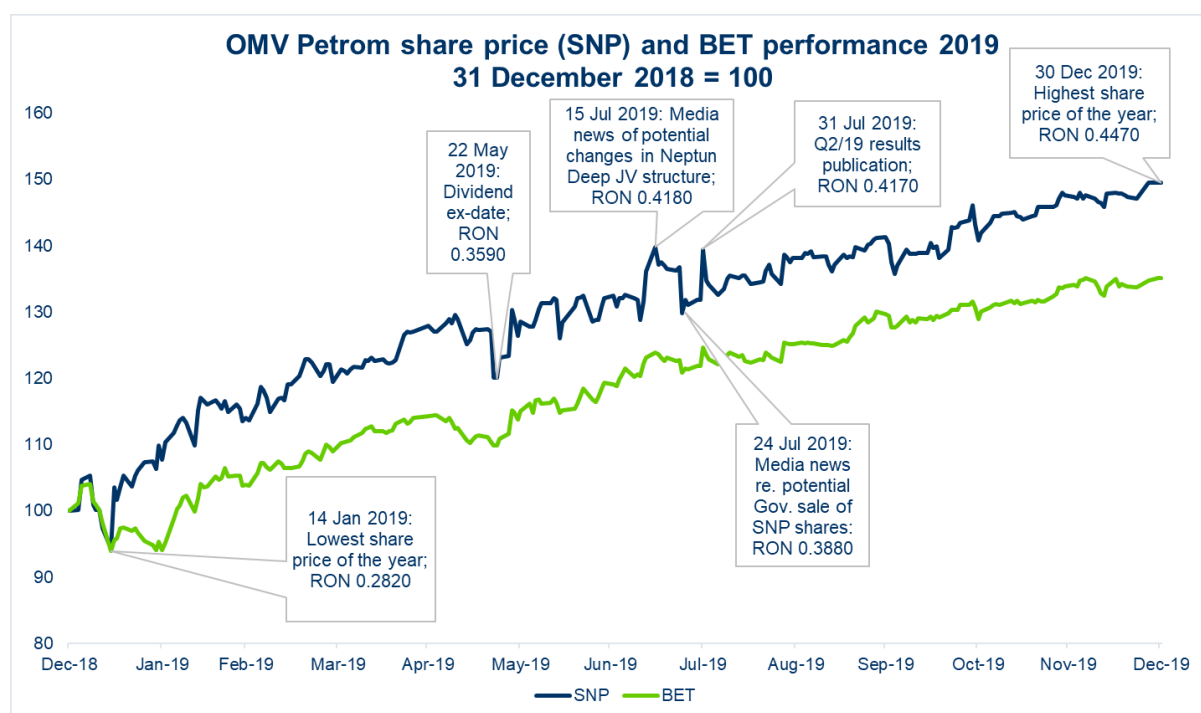
On the **ex-dividend** date May 22, the share price corrected by 5.53%, less than the equivalent of 2018 dividend per share of RON 0.027. Subsequently, the share price recovered quickly, ending the month 1.2% above the share price on May 21 and up 0.5% mom, while the BET index appreciated by 0.6% mom. 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 Government's portfolio (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 (11.8 mn in 2018), down 22% yoy, while the **average daily traded value** was RON 3.57 mn, down 12.2% yoy in RON terms. The 2019 average traded value in EUR terms was EUR 0.75 mn.

Domestic indices followed a sustained ascending trend in 2019, especially after end March, 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 S.A. 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 price ended the last trading session of the year on December 30 **at the maximum yearly share 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 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).

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.

3.2. Description of the company's dividend policy for the last 3 years

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.

Related to year	2019	2018	2017
Dividends allocated, RON mn	1,755.96 ¹	1,529.39	1,132.88

¹ Subject to GMS approval.

On March 19, 2018, the Supervisory Board approved the Executive Board's proposal to distribute dividends of RON 0.020 per share, resulting in a payout ratio of 45%, based on the Group's 2017 net profit attributable to stockholders of the parent. The dividend proposal was approved by the Ordinary General Meeting of Shareholders, on April 26, 2018. The payment of the dividends started on June 19, 2018.

On March 14, 2019, the Supervisory Board approved the Executive Board's proposal to distribute dividends of RON 0.027 per share, resulting in a payout ratio of 38%, based on the Group's 2018 net profit attributable to stockholders of the parent. The dividend proposal was approved by the Ordinary General Meeting of Shareholders, on April 19, 2019. The payment of the dividends started on June 13, 2019.

On March 17, 2020, the Supervisory Board approved the Executive Board's proposal to distribute dividends of RON 0.031 per share, resulting in a payout ratio of 48%, based on the Group's 2019 net profit attributable to stockholders of the parent. The dividend proposal is subject to approval by the Ordinary General Meeting of Shareholders, on April 27, 2020.

3.3 Description of any activity involving the company's purchasing its own shares

As at year-end 2019, OMV Petrom held a total of 204,776 own shares, representing 0.0004% of issued share capital.

In 2019 OMV Petrom did not buy back or cancel any of its own shares.

3.4. Where the company owns subsidiaries, mention of the number and the nominal value of the shares issued by the parent company and held by the branches

OMV Petrom has subsidiaries, but none of them owns shares issued by the parent Company.

3.5. Where the company has issued bonds and /or other debt securities, presentation of the way in which the company fulfilled its obligations towards the holders of such securities

Not applicable.

4. Company administration

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 report.

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:

- (a) to discuss, approve or modify the annual financial statements;
- (b) to distribute the profit and establish the dividends;
- (c) to elect and revoke the members of the Supervisory Board and the financial auditor;
- (d) to establish the remuneration of the members of the Supervisory Board and of the financial auditor;
- (e) to assess the activity of the Executive Board members and of the Supervisory Board members, to evaluate their performance and to discharge them of their liability in accordance with the provisions of law;
- (f) to approve the income and expenditure budget for the next financial year.

The **Extraordinary GMS** is entitled to decide mainly upon:

- (a) changing the corporate form or the business object of the Company;
- (b) increasing or reducing the share capital of the Company;
- (c) spin-offs or mergers with other companies;
- (d) early dissolution of the Company;
- (e) converting shares from one class into another;
- (f) 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:

- (a) withdraw the deposited shares;
- (b) 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;
- (c) 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);
- (d) 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);
- (e) instruct the GDR depositary regarding the exercise of any voting rights notified by the Company to the GDR depositary subject to certain conditions;
- (f) 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 elected 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.

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.

During 2019, there were two changes in the membership of the Supervisory Board.

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 Havrilet 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.

Main duties and powers of the Supervisory Board

The Supervisory Board has the following main powers:

- (a) to exercise control over the management of the Company by the Executive Board;
- (b) to appoint and revoke the members of the Executive Board;
- (c) to submit to the GMS a report concerning the supervision activity undertaken;
- (d) to verify the reports of the members of the Executive Board;
- (e) to verify the Company's annual separate and consolidated financial statements;
- (f) 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 currently 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, in order to increase the level of compliance with the provisions of the Corporate Governance Code in terms of independency of the President, 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 the 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.

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:

- (a) 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;
- (b) 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;
- (c) Internal audit, internal controls and risk management – to undertake an annual assessment of the system of internal control;
- (d) 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 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.

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:

- (a) to establish the strategy and policies regarding the development of the Company, including the organizational structure of the Company and the operational divisions;
- (b) to submit annually for the approval of the 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;
- (c) 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;
- (d) 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;
- (e) to undertake all the measures necessary and useful for the management of the Company, implied by the daily management of each division or delegated by the 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;
- (f) 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 an accounting, risk management and internal controlling system which meets 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.

Diversity and employee development

OMV Petrom embedded a diversity strategy, which is in line with the OMV Group Diversity Strategy, focusing on gender equality and internationality. Diversity is a powerful advantage that helps us creating diversity-based business value. That is why we have established one important measurable target-gender equality within our Sustainability Strategy 2019 – 2025. Also, diversity focus is one of the key pillars of our People Strategy defined under the Leadership strategic priority as "Inspiring leaders – building high performing diverse teams". In our company, are currently working together four generations of people with

different nationalities: Baby Boomers, Generation X, Millennials and Generation Z. We consider this a wealth of diversity and experience we may rely on and, at the same time, we have to nurture it through continuously aligning the organization on purpose, embracing flexibility and promoting diversity intelligence. At OMV Petrom Group level, the ratio of these generations is: 20.47% Baby Boomers, 68.23 % Generation X, 10.68% Millennials and 0.62% Generation Z. The mix of nationalities in OMV Petrom currently is 95.5% Romanians.

OMV Petrom is an associate and subscriber of Diversity Charter in Romania since 2017.

The Diversity Charter is one of the most efficient recognition tools that helps enhancing the diversity and equality of chances through a series of general principles that are voluntarily adhered to by all its subscribers, with the scope of promoting diversity, non-discrimination, inclusion and the equality of chances at the working place.

OMV Petrom is focused on providing knowledge transfer programs and building a robust talent pipeline through cooperation with key universities.

In addition, we aim to have a contribution to the Romanian society by investing in students and young professionals through complex internship and scholarship programs:

- **Open4U** is our company's very successful internship program, through which, in 2019, 75 students (compared to 59 in 2018) were selected for a two-month paid internship;
- **BeFirst** is the new internship program, through which, in 2019, 7 students were selected for a six-month paid internship;
- **Program for Students and Fresh Graduates** is a scholarship program and it offers students the opportunity to focus on studies and link between theory and practice. In 2019, 45 students from targeted universities were awarded scholarships.

Our priority is to offer to our employees learning and development opportunities that help us to perform for today, learn for tomorrow and create the energy for a better life. Thus, we want all of our employees to perceive OMV Petrom as a place to learn, grow, connect and collaborate – a great place to work.

We are dedicated to develop our employees' capabilities, as we consider them as best ambassadors. For this, we offer both development opportunities through training activities and participation in interdisciplinary and interdepartmental projects.

For the development of our employees, we use a 70-20-10 learning approach, where we largely build on internal knowledge and consider hands-on experiences as the most beneficial way to learn and develop:

- 70% Learning on the job
- 20% Learning from others
- 10% Learning from training.

Women's advancement

OMV Petrom 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 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 & 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 million (for 2018: RON 111.14 million).

The remuneration paid to members of the Executive Board and to the directors reporting to Executive Board members aims to be at 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
 - o performance bonus program of 1 year
 - o long term incentive as multiyear performance plan of 3 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.

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 the following: 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.

The Internal Audit department 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.

4.1. Presentation of the company’s administrators and the following information for each administrator:

a) CV (family name, first name, age, skills, professional expertise, position and length of employment)

As at January 1, 2020, the Supervisory Board of OMV Petrom consisted of nine members, elected for a four-year mandate between April 28, 2017 and until April 28, 2021, as follows:

Name	Age (years)	Position	Other information
Rainer Seele	59	President of the Supervisory Board As of 7 July 2015.	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. 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.
Reinhard Florey	53	Member and Deputy President of the Supervisory Board As of 1 August 2016	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.

Name	Age (years)	Position	Other information
Thomas Gangl	49	Member As of 1 July 2019	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
Johann Pleininger	58	Member As of 10 August 2019	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 Deputy Chairman of the OMV Executive Board
Daniel Turnheim	45	Member As of 1 January 2017	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, Mr. Turnheim 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.
Sevil Shhaideh	55	Member – independent ¹ As of 26 October 2017	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

¹ Independent member as per the criteria of the Bucharest Stock Exchange Corporate Governance Code, criteria which are substantially similar with those provided by the Company Law

Name	Age (years)	Position	Other information
			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.
Radu-Spiridon Cojocar	72	Member – independent ¹ As of 28 April 2017	Radu-Spiridon Cojocar 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 Depositary, RASDAQ. 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 National Committee for Substantiation of the National Euro Changeover Plan.
Joseph Bernhard Mark Mobius	83	Member - independent ^{1,2} As of 29 April 2010	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

² Joseph Bernhard Mark Mobius independence status changed from non-independent to independent starting 2019

Name	Age (years)	Position	Other information
			<p>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 directs the analysts of Franklin Templeton's 18 emerging market offices and manages 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.</p>
Jochen Weise	64	Member - independent ¹ As of 1 November 2016	<p>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 to 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 - December 2001.</p>

In the Ordinary GMS in 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:

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.

b) Any agreements, understanding or family connection between the respective administrators and another person who is responsible for appointing of the respective person in the position of Director.

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

The members of the Supervisory Board are not appointed by certain persons or certain shareholders. They are appointed by the Ordinary GMS based on shareholders' votes and in compliance with the statutory

requirements relating to quorum and majority. Therefore, there are no such agreements and understandings to be disclosed herein.

c) The participation of the Supervisory Board members at the share capital of the company.

Radu – Spiridon Cojocaru holds a number of 1,931 shares issued by OMV Petrom. OMV Petrom does not have knowledge of any other member of the Supervisory Board holding shares issued by the Company.

d) The list of related parties to the company

Please see Annex b).

4.2. Executive Board

a) Terms of office for the person who is member of the executive management

The Executive Board's current mandate started in April 2019 and runs until April 2023.
At January 1, 2020, OMV Petrom's Executive Board is composed of the following members:

Name	Position
Christina Verchere	Chief Executive Officer and President of the Executive Board
Alina-Gabriela Popa	Chief Financial Officer
Peter Rudolf Zeilinger	Member of the Executive Board, responsible for Upstream
Radu-Sorin Căprău	Member of the Executive Board, responsible for Downstream Oil
Franck Albert Neel	Member of the Executive Board, responsible for Downstream Gas

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

Executive Board members are appointed by decision of the Supervisory Board. Apart from their management agreements concluded with the Company, Christina Verchere and Franck Albert Neel are also party to employment contracts with an OMV entity. The employment contracts are suspended for the duration of their mandate as members of the Executive Board of the Company. Similarly, Peter Rudolf Zeilinger is also party to an employment contract with an OMV entity, as amended by international assignment agreement during the time he serves as member of the Executive Board of OMV Petrom. Pursuant to such international assignment agreement, Peter Rudolf Zeilinger receives certain compensation and benefits from the employing OMV entity. Such compensation and benefits are recharged to the Company as the work has been performed for the benefit of the Company via international assignment. For the duration of Peter Rudolf Zeilinger's mandate as member of the Executive Board of the Company, the employing OMV entity has expressly waived its right to give instructions, its disciplinary authority and reporting obligations.

c) The participation of the respective person at the share capital of the company

As part of the program of free distribution of shares to its employees, conducted by OMV Petrom in 2010, 100 shares were assigned to Alina-Gabriela Popa, currently, Chief Financial Officer of OMV Petrom.

4.3. The potential litigations and administrative procedures in which the persons presented under Sections 4.1 and 4.2 were involved over the last 5 years, concerning their activity or capacity to fulfill their duties within OMV Petrom

To the best of our knowledge, at the date of this report, during 2019, there is no ongoing litigation against the members of the Executive or Supervisory Board of the Company directly linked with their activity in the Company having a significant impact upon the price of the Company shares or the capacity to hold the position of members of such corporate bodies. However, members of the Executive Board and Supervisory Board might be involved in some court cases or preliminary procedures which do not fall under the aforementioned categories.

5. Analysis of the Financial Position, Performance and Cash Flows of the Company

Financial highlights, RON mn	Year ended December 31		
	2019	2018	2017
Sales revenues	19,944	17,782	14,783
Operating Result	4,017	4,883	2,990
Net financial result	68	(279)	(267)
Net income	3,564	3,880	2,400
Non-current assets	34,726	33,543	33,346
Current assets (including assets held for sale)	11,665	9,471	7,679
Total equity	32,351	30,314	27,560
Non-current liabilities	7,879	6,689	8,333
Current liabilities (including liabilities associated with assets held for sale)	6,161	6,011	5,132
Cash and cash equivalents at the beginning of the year	4,901	3,780	1,854
Cash flow from operating activities	6,920	6,491	5,670
Cash flow from investing activities	(3,120)	(4,954)	(2,655)
Cash flow from financing activities	(1,908)	(417)	(1,089)
Effect of foreign exchange rate changes on cash and cash equivalents	1	1	0
Cash and cash equivalents at the end of the year	6,795	4,901	3,780

Ratios	Year ended December 31		
	2019	2018	2017
Liquidity ratios			
Current ratio	1.89	1.58	1.50
Acid test	1.58	1.30	1.18
Risk ratios			
Gearing ratio	n.m.	n.m.	n.m.
Indebtedness ratio	1%	1%	2%
Operational ratios			
Stock turnover – days	43	47	49
Receivables turnover – days	36	36	35
Tangible assets turnover	0.78	0.72	0.59
Total assets turnover	0.43	0.41	0.36
Profitability ratios			
Net profit margin	18%	22%	16%
Operating Result margin	20%	27%	20%
Operating Result before depreciation margin	37%	42%	43%
Return on fixed assets (ROFA)	14%	18%	11%
Return on equity (ROE)	11%	13%	9%

Please see Annex c) for definitions of the above ratios.

Compared to 2018, **sales revenues** increased in 2019 by 12% to RON 19,944 mn. Please see section 1.1.4 for a detailed breakdown of sales revenues and explanation of variance. OMV Petrom is an integrated oil and gas company. As oil produced by the Upstream segment is processed at the Petrobrazi refinery, the Downstream Oil business segment represents the largest share of total sales to external customers: 68% or RON 13,503 mn (2018: RON 13,046 mn). The Downstream Gas segment's contribution was RON 6,335 mn or approximately 32% of total sales, 37% above 2018 level.

Operating result for the year 2019 amounted to RON 4,017 mn, lower than RON 4,883 mn in 2018, being influenced mainly by the following most significant evolutions:

- **Sales revenues** increased by 12%;
- **Net income from consolidated subsidiaries and equity-accounted investments**, that comprise mainly dividends received by OMV Petrom S.A. from its subsidiaries and associates, increased by 37%;
- **Other operating income** decreased by RON 415 mn, mainly due to the fact that 2018 benefitted from reversal of an impairment in Upstream in amount of RON 430 mn;
- **Operating expenses** increased by 20%, mainly due to:
 - Purchases (net of inventory variation) and Production and operating expenses, which include variable and fixed production costs, as well as costs of goods and materials employed, increased by RON 2,288 mn, mainly as a result of higher purchases of gas from third parties in order to support higher sales volumes, and also following the set-up of a provision for future estimated soil remediation costs in relation to Arpechim refinery site;
 - Production and similar taxes decreased with RON 38 mn mainly due to the decrease in gas royalties as a result of lower gas reference prices and lower production;
 - Depreciation, amortization and impairment charges increased by 10%, mainly due to an impairment of assets held for sale in Upstream;
 - Exploration expenses increased by RON 63 mn, mainly due to seismic acquisition in VIII - Urziceni East block and increased geological and geophysical activities.

The Company's **net financial result** significantly increased to an income of RON 68 mn in 2019 from a loss of RON (279) mn in 2018, mainly as a result of the positive impact from reassessment of long-term receivables and higher interest income on bank deposits.

Net income decreased to RON 3,564 mn in 2019 compared to RON 3,880 mn in 2018, due to the negative evolution of the Operating Result, partly offset by the significantly improved net financial result.

As a result of its business activities, OMV Petrom contributed RON 11,266 mn to the Romanian State budget. Out of this amount, direct taxes represented RON 1,950 mn and indirect taxes RON 9,316 mn.

OMV Petrom's contribution to the State budget via direct taxes was mainly represented by the profit tax that amounted to RON 569 mn, royalties that amounted to RON 707 mn, employer social contributions that amounted to RON 62 mn, tax on additional revenue from natural gas sales and on exploitation of mineral resources other than natural gas that amounted to RON 386 mn, tax on offshore additional revenues of RON 87 mn and the contribution in amount of RON 90 mn due to the Romanian Energy Regulatory Authority ("ANRE") for energy and gas licenses, set at 2% of the relevant turnover starting 2019.

OMV Petrom's contribution to the State budget via indirect taxes was mainly represented by excise (including custom excise) in amount of RON 6,492 mn, VAT (including custom VAT) in the amount of RON 2,189 mn and also employees' related taxes amounting to RON 614 mn.

Total assets amounted to RON 46,391 mn as of December 31, 2019, 8% higher compared to 2018, mainly driven by higher current assets.

Non-current assets increased by 4% to RON 34,726 mn, compared to the end of 2018 (RON 33,543 mn), mainly driven by the increase in intangible assets and property, plant and equipment, as the additions during the period, including the impacts from the reassessment of decommissioning asset and the adoption of IFRS 16 Leases, exceeded depreciation and impairments.

The ratio of intangible assets and property, plant and equipment to total assets amounted to 62% (2018: 64%).

Total current assets, including assets held for sale, increased by 23% to RON 11,665 mn compared to RON 9,471 mn at the end of 2018, mostly driven by the increase in cash and cash equivalents.

As at December 31, 2019, the assets and liabilities held for sale referred to 40 marginal onshore oil and gas fields reclassified as assets and liabilities held for sale in Upstream segment after reaching an agreement between OMV Petrom S.A. and Dacian Petroleum S.R.L. in December 2019.

Total equity increased to RON 32,351 mn as of December 31, 2019 compared to RON 30,314 mn as of December 31, 2018, as a result of the net profit generated in the current period, partially compensated by the distribution of dividends for the financial year 2018 for the gross amount of RON 1,529 mn (gross dividend per share of RON 0.027). The equity ratio stood at 70% as of December 31, 2019 (December 31, 2018: 70%).

Total liabilities increased by 11% to RON 14,040 mn as of December 31, 2019, as a consequence of an increase in both non-current liabilities and current liabilities.

The increase in **non-current liabilities** was mainly due to 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. Also, lease liabilities increased by RON 356 mn (out of which RON 281 mn on long term) mainly following the implementation of IFRS 16 Leases.

Provisions for decommissioning and restoration amounted to RON 6,702 mn as of December 31, 2019, both short and long term (December 31, 2018: 6,113 mn). Revisions in estimates for decommissioning and restoration provisions arise mainly from the yearly reassessment of the unit cost, revision of the estimated net discount rates, as well as the expected timing of the decommissioning and restoration.

The increase in **current liabilities** was mostly due to higher trade payables and liabilities associated with assets held for sale, partially offset by lower interest-bearing debts, following repayments.

The annual stock count of assets, liabilities and equity was performed according to Romanian legislation (Order no. 2861/2009) and the results were recorded in the financial statements as at December 31, 2019.

Cash flow

Cash flow from operating activities increased as compared to 2018, despite the lower operating result, supported by the favorable evolution in working capital. Cash outflows in 2019 consisted mainly in acquisition of tangible and intangible assets, payments of dividends, and also repayment of loans.

At the Annual General Meeting of Shareholders held on April 19, 2019, the shareholders of OMV Petrom S.A. approved the distribution of RON 0.027 gross dividend per share. The Company paid dividends in amount of RON 1,516 mn in 2019.

At the Annual General Meeting of Shareholders held on April 26, 2018, the shareholders of OMV Petrom S.A. approved the distribution of RON 0.020 gross dividends per share. The Company paid dividends in the amount of RON 1,123 mn in 2018.

Changes in consolidated OMV Petrom Group

Compared with the consolidated financial statements as of December 31, 2018, there were no changes in the consolidated Group structure.

The detailed structure of the consolidated companies in OMV Petrom Group at December 31, 2019 is presented in the section 7 of the current report.

More details related to the annual consolidated financial statements of the OMV Petrom Group that are public may be obtained from the company website at www.omvpetrom.com.

In accordance with Chapter 8 of the Annex 1 of 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, the management prepared a report on payments to governments for the year 2019. This report will be published together with the financial statements of OMV Petrom S.A. for the year ended December 31, 2019.

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.

6. Corporate governance statement ³

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.	√		<p>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.</p> <p>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.</p>
	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.	√		<p>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.</p>
	A.3. The Supervisory Board should have at least five members.	√		<p>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.</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>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.</p> <p>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>

³ 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>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.</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.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>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>
	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.	√		<p>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.</p> <p>The Company has put in place internal rules on how to deal with conflicts of interest.</p>
	A.7. The company should appoint a Board secretary responsible for supporting the work of the Board.	√		<p>The Company has a General Secretary, who supports the works of both the Executive Board and Supervisory Board.</p>
	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.	√		<p>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.</p> <p>The outcome of the Supervisory Board's self-evaluation for 2019 is presented in the Supervisory Board Report.</p>
	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.	√		<p>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.</p> <p>The reports of the Supervisory Board and Executive Board for 2019 are included in the Annual Report and submitted for Ordinary GMS's approval.</p>
	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</p>

Provisions of the Bucharest Stock Exchange Corporate Governance Code		Complies	Does not comply or partially complies	Comments
				Supervisory Board members that met all the independence criteria stipulated 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.
	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.		√	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. 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. 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.
Section B - Risk management and internal control system				
	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		√	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. 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. Following the recent change in the membership of the Audit Committee, at the date of this report, the

Provisions of the Bucharest Stock Exchange Corporate Governance Code		Complies	Does not comply or partially complies	Comments
	audit committee should be composed of at least three members and the majority of the audit committee should be independent.			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. 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.
	B.2. The audit committee should be chaired by an independent non-executive member.	√		As members of the Supervisory Board, all members of the Audit Committee, including the president of the Audit Committee, are non-executives. 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. 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.
	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
	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
				<p>accordance with Related Party Transactions Policy;</p> <p>- 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.</p>
	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.	√		<p>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.</p> <p>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.</p>
	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</p>

Provisions of the Bucharest Stock Exchange Corporate Governance Code		Complies	Does not comply or partially complies	Comments
				could be considered as jeopardizing its independence or objectivity due to these functional reporting lines. The Company is currently assessing how to fully comply with this provision in the future.
Section C - Fair rewards and motivation				
	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. Any essential change of the remuneration policy should be published on the corporate website in a timely fashion.		√	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.
Section D - Building value through investors' relations				
	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: D.1.1. Principal corporate regulations: the articles of association, general shareholders' meeting procedures. 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; D.1.3. Current reports and periodic reports (quarterly, semi-annual and annual reports); D.1.4. Information related to general meetings of shareholders; D.1.5. Information on corporate events; D.1.6. The name and contact data of a person who should be able to provide relevant information on request; D.1.7. Corporate presentations (e.g. IR presentations, quarterly results presentations etc.), financial statements (quarterly, semi-annual, annual), auditor reports and annual reports.	√		The Company has a special department dedicated to investor relations that can be contacted via e-mail at investor.relations.petrom@petrom.com . 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: <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 meetings 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 meetings 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.

Provisions of the Bucharest Stock Exchange Corporate Governance Code		Complies	Does not comply or partially complies	Comments
	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.	√		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.
	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.	√		The Company has a Forecast Policy which is published on its corporate website in the About us section, Corporate Governance sub-section.
	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.	√		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.
	D.5. The independent financial auditors should attend the shareholders' meetings when their reports are presented there.	√		The independent financial auditors attend the Ordinary GMS whereby the annual separate and consolidated financial statements are submitted for approval.
	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	√		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.






Provisions of the Bucharest Stock Exchange Corporate Governance Code		Complies	Does not comply or partially complies	Comments
	relevant financial indicators, both on quarter-on-quarter and yoy 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.	√		<p>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.</p> <p>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.</p> <p>The Investor Presentations were made available at the time of the meetings / conferences on the corporate website, in the Investors section, Events sub-section.</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>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 separate financial statements prepared in accordance with IFRS as requested by Ministry of Finance Order no. 2844/2016 give a true and fair view of the financial position of OMV Petrom S.A. 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 Company, together with a description of the principal risks and uncertainties associated with the expected development of the Company.

Bucharest, March 17, 2020

The Executive Board

 Christina Verchere Chief Executive Officer President of the Executive Board		 Alina Popa Chief Financial Officer Member of the Executive Board
 Peter Zeilinger Member of the Executive Board Upstream	 Franck Neel Member of the Executive Board Downstream Gas	 Radu Căprău Member of the Executive Board Downstream Oil

7. Annexes

a. List of consolidated companies in OMV Petrom Group at December 31, 2019

Parent company

OMV Petrom S.A.

Subsidiaries

UPSTREAM		DOWNSTREAM OIL	
Tasbulat Oil Corporation LLP	100.00%	OMV Petrom Marketing S.R.L.	100.00%
Kom Munai LLP	100.00%	Petrom Moldova S.R.L.	100.00%
Petrom Exploration & Production Ltd.	99.99%	OMV Petrom Aviation S.R.L. ¹	100.00%
		OMV Srbija DOO	99.96%
		OMV Bulgaria OOD	99.90%
DOWNSTREAM GAS		CORPORATE & OTHER	
OMV Petrom Gas S.R.L.	99.99%	Petromed Solutions S.R.L.	99.99%

¹ 1 (one) share owned through OMV Petrom Marketing S.R.L.

Associated company, accounted for at equity

OMV Petrom Global Solutions S.R.L.	25.00%
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During 2019, the legal form of OMV Petrom Aviation was changed from a joint stock company to a limited liability company.

b. The list of the persons affiliated to the company

Code of Company	OMV Group consolidated companies - including OMV Petrom Group consolidated companies as of 31 December 2019
OMV	OMV Aktiengesellschaft
ABU	OMV Abu Dhabi E&P GmbH
ADNOC	Abu Dhabi Oil Refining Company, Abu Dhabi
ADNOCT	ADNOC Global Trading LTD
ADPINV	Abu Dhabi Petroleum Investments LLC
AGGM	AGGM Austrian Gas Grid Management AG
ALAIN	OMV East Abu Dhabi Exploration GmbH
BORA	Borealis AG
BULG	OMV BULGARIA OOD
DIRA	Diramic Insurance Limited
DTAL	Deutsche Transalpine Oelleitung GmbH
ECOGAS	OMV Gas Marketing & Trading GmbH
ECONDE	OMV Gas Marketing & Trading Deutschland GmbH
ECONHR	OMV Gas Marketing & Trading d.o.o.
ECONHU	OMV Gas Marketing & Trading Hungária Kft.
ECONIT	OMV Gas Marketing & Trading Italia S.r.l.
EILNZ	Energy Infrastructure Limited
ELG	Erdöl-Lagergesellschaft m.b.H.
EMPA	E-Mobility Provider Austria GmbH
ENERCO	Enerco Enerji Sanayi Ve Ticaret A.Ş.
EPHNZ	Energy Petroleum Holdings Limited
EPILNZ	Energy Petroleum Investments Limited
EPSKG	EPS Ethylen-Pipeline-Süd GmbH & Co KG
EPTLNZ	Energy Petroleum Taranaki Limited
FETRAT	Avanti GmbH
FETRDE	Avanti Deutschland GmbH
FETRSI	FE-Trading trgovina d.o.o.
FREYKG	Freya Bunde-Etzel GmbH & Co. KG
GASTR	OMV Enerji Ticaret Anonim Şirketi
GENMBH	GENOL Gesellschaft m.b.H., Vienna 4
HUB	Central European Gas Hub AG
ISERV	OMV - International Services Ges.m.b.H.
KONAI	KOM MUNAI LLP
MAURI	OMV Maurice Energy GmbH
MOLDO	Petrom-Moldova S.R.L.
NZEA	OMV New Zealand Limited
OABUAE	OMV Abu Dhabi Offshore GmbH
OADP	OMV Abu Dhabi Production GmbH
OAUST	OMV AUSTRALIA PTY LTD
OBINA	OMV Bina Bawi GmbH
OCTS	OMV Clearing und Treasury GmbH
ODUNA	DUNATÁR Kőolajtermék Tároló és Kereskedelmi Kft.
OEPA	OMV Austria Exploration & Production GmbH
OETAL	Transalpine Ölleitung in Österreich Gesellschaft m.b.H.
OFFBLG	OMV Offshore Bulgaria GmbH
OFFMOR	OMV Offshore Morondava GmbH
OFS	OMV Finance Services GmbH
OFSNOK	OMV Finance Services NOK GmbH
OFSUSD	OMV Finance Solutions USD GmbH
OGEX	OMV Oil and Gas Exploration GmbH
OGG	GAS CONNECT AUSTRIA GmbH
OGI	OMV Gas & Power GmbH
OGMTBE	OMV Gas, Marketing & Trading Belgium
OGMTF	OMV Gas Marketing Trading & Finance B.V.
OGSA	OMV Gas Storage GmbH
OGSBNZ	OMV GSB LIMITED
OGSG	OMV Gas Storage Germany GmbH

Code of Company	OMV Group consolidated companies - including OMV Petrom Group consolidated companies as of 31 December 2019
OHARTR	Haramidere Depoculuk Anonim Şirketi
OHUN	OMV Hungária Ásványolaj Korlátolt Felelősségű Társaság
OILEXP	OMV Oil Exploration GmbH
OILPRO	OMV Oil Production GmbH
OIRAN	OMV (IRAN) onshore Exploration GmbH
OJA3	OMV Jordan Block 3 Upstream GmbH
OKH	OMV Kraftwerk Haiming GmbH
OLIB	OMV OF LIBYA LIMITED
OMEA	OMV Middle East & Africa GmbH
OMVD	OMV Deutschland GmbH
OMVDS	OMV Deutschland Services GmbH
OMVEP	OMV Exploration & Production GmbH
OMVINT	OMV International Oil & Gas GmbH
OMVRM	OMV Refining & Marketing GmbH
OMVRUS	OMV Russia Upstream GmbH
OMVSK	OMV Slovensko s.r.o.
ONAFRU	OMV Offshore (Namibia) GmbH
ONAMEX	OMV (Namibia) Exploration GmbH
ONOR	OMV (NORGE) AS
ONSHOL	OMV Switzerland Holding AG
OPEI	Preussag Energie International GmbH
OPGSOL	OMV Petrom Global Solutions S.R.L.
OPLNZ	OMV New Zealand Production Limited
ORMMEA	OMV Refining & Marketing Middle East & Asia GmbH
OSERB	OMV SRBIJA d.o.o.
OSLNZ	OMV New Zealand Services Limited
OSTIT	OMV Supply & Trading Italia S.r.l.
OSUP	OMV Supply & Trading AG
OTCH	OMV Česká republika, s.r.o.
OTLNZ	OMV Taranaki Limited
OTNPRO	OMV (Tunesien) Production GmbH
OTRAD	OMV Supply & Trading Limited
OUPI	OMV Upstream International GmbH
OWEAFR	OMV (WEST AFRICA) Exploration & Production GmbH
OYEM70	OMV Block 70 Upstream GmbH
OYEM86	OMV Myrre Block 86 Upstream GmbH
PARCO	Pak-Arab Refinery Limited
PCGAS	PEGAS CEGH Gas Exchange Services GmbH
PDYNHU	PETRODYNE-CSEPEL Zrt.
PEARL	Pearl Petroleum Company Limited
PEPL	PETROM EXPLORATION & PRODUCTION LIMITED
PETAV	OMV PETROM Aviation S.R.L.
PETEX	OMV Petroleum Exploration GmbH
PETGAS	OMV Petrom GAS S.R.L.
PETMED	Petromed Solutions S.R.L.
PIL	Petroleum Infrastructure Limited
POGI	OMV Gaz Iletim A.Ş.
ROMAN	OMV Petrom Marketing S.R.L.
SEAMMY	SapuraOMV Upstream (Americas) Sdn. Bhd.
SEAUMY	SapuraOMV Upstream (Australia) Sdn. Bhd.
SEBLMX	SapuraOMV Block 30, S. de R.L. de C.V.
SEMXY	SapuraOMV Upstream (Mexico) Sdn. Bhd.
SEMYBH	SapuraOMV Upstream (Malaysia) Inc.
SENZMY	SapuraOMV Upstream (NZ) Sdn. Bhd.
SEOCMY	SapuraOMV Upstream (Oceania) Sdn. Bhd.
SEPMMY	SapuraOMV Upstream (PM) Inc.
SESABH	SapuraOMV Upstream (Southeast Asia) Inc.
SESWMY	SapuraOMV Upstream (Sarawak) Inc.
SEUPMY	SapuraOMV Upstream (Holding) Sdn. Bhd.

Code of Company	OMV Group consolidated companies - including OMV Petrom Group consolidated companies as of 31 December 2019
SEWEAU	SapuraOMV Upstream (Western Australia) Pty Ltd
SIOT	Società Italiana per l'Oleodotto Transalpino S.p.A.
SLOVJA	OMV SLOVENIJA trgovina z nafto in naftnimi derivati, d.o.o.
SMATKG	SMATRICS GmbH & Co KG
SNGPRU	OJSC SEVERNEFTEGAZPROM
SNO	OMV Solutions GmbH
SOUPMY	SapuraOMV Upstream Sdn. Bhd.
TAG	Trans Austria Gasleitung GmbH
TASBU	TASBULAT OIL CORPORATION LLP
TOPNZ	Taranaki Offshore Petroleum Company
YEALMA	OMV (YEMEN) Al Mabbar Exploration GmbH
YEM2	OMV (Yemen Block S 2) Exploration GmbH
YRGMRU	JSC GAZPROM YRGM Development

c. Definitions

Liquidity ratios

Current ratio = Current assets¹⁾ / Current liabilities²⁾

Acid test = (Current assets¹⁾ - Inventories) / Current liabilities²⁾

¹⁾ include assets held for sale; ²⁾ include liabilities associated with assets held for sale

Risk ratios

Gearing ratio = Net debt / Equity in %

Net debt = Interest - bearing debts + Lease liabilities - Cash and cash equivalents

Indebtedness ratio = Interest - bearing debts (long term) / Equity in %

Equity ratio = Equity / (Total Assets) in %

Operational ratios

Stock turnover – days = Average inventories / (Purchases (net of inventory variation) + Production and operating expenses + Production and similar taxes + Depreciation, amortization and impairment charges) in days

Receivables turnover – days = Average trade receivables / Sales revenues in days

Tangible assets turnover = Sales revenues / Property, plant and equipment

Total assets turnover = Sales revenues / Total assets

Profitability ratios

Net profit margin = Net income for the year / Sales revenues in %

Operating Result margin = Operating Result / Sales revenues in %

Operating Result before depreciation margin = Operating Result before depreciation / Sales revenues in %

Operating Result before depreciation = Operating Result + Depreciation and amortization + Net impairment losses / (gains)

Return on fixed assets (ROFA) = Operating Result / Average fixed assets in %

Return on equity (ROE) = Net income for the year / Average equity in %
