

# Annual Report 2020



# Contents

	<b>Who we are</b>
3	The energy for a better life
4	An integrated energy company
5	Our business model
6	Why invest in OMV Petrom
7	Resilient results in a year with twofold crisis
8	Partner for Romania
	<b>Company</b>
10	Statement of the Chief Executive Officer
12	OMV Petrom on the capital markets
16	OMV Petrom Strategy
23	Business environment
26	Business segments' operational performance
26	Upstream
30	Downstream Oil
33	Downstream Gas
	<b>Report of the governing bodies</b>
36	Report of the Supervisory Board
40	Directors' report
53	Corporate governance report
63	Corporate governance statement
73	Declaration of the management
74	Abbreviations and definitions
	<b>Consolidated financial statements and notes</b>
78	Independent auditor's report
88	Consolidated statement of financial position
90	Consolidated income statement
91	Consolidated statement of comprehensive income
92	Consolidated statement of changes in equity
93	Consolidated statement of cash flows
95	Notes to the consolidated financial statements
164	<b>Consolidated report on payments to governments</b>
169	<b>Contact and Disclaimer</b>

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

As per the legal requirements with reference to the disclosure of non-financial information, the company prepares and publishes a separate sustainability report, which includes the information required for the non-financial declaration, describing our sustainability initiatives. OMV Petrom's Sustainability Report for 2020 will be published by May 31, 2021.

## The energy for a better life

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

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

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

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

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

Safely. Securely. Responsibly.

Today and tomorrow.



## An integrated energy company

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

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

In Upstream, OMV Petrom is present in Romania, Kazakhstan, Bulgaria and won the tender for an exploration block in Georgia. Our expertise varies from deep onshore and offshore exploration to mature fields and shallow offshore production. In 2020, our portfolio consisted of 473 mn boe proved (1P) reserves and around 53 mn boe hydrocarbon production (thereof 3.5 mn tons of crude oil and natural gas liquids and 4.2 bn cubic meters of natural gas).

In Downstream Oil, we operate the Petrobrazi refinery, which has a capacity of 4.5 mn tons per year and can process OMV Petrom’s entire Romanian equity crude oil. We are present on the oil products retail market through a network of 793 filling stations located in Romania, Moldova, Bulgaria and Serbia. These filling stations are operated under two brands: Petrom and OMV. In 2020, the Downstream Oil segment recorded 5.0 mn tons of refined product sales, of which 2.6 mn tons were retail sales.

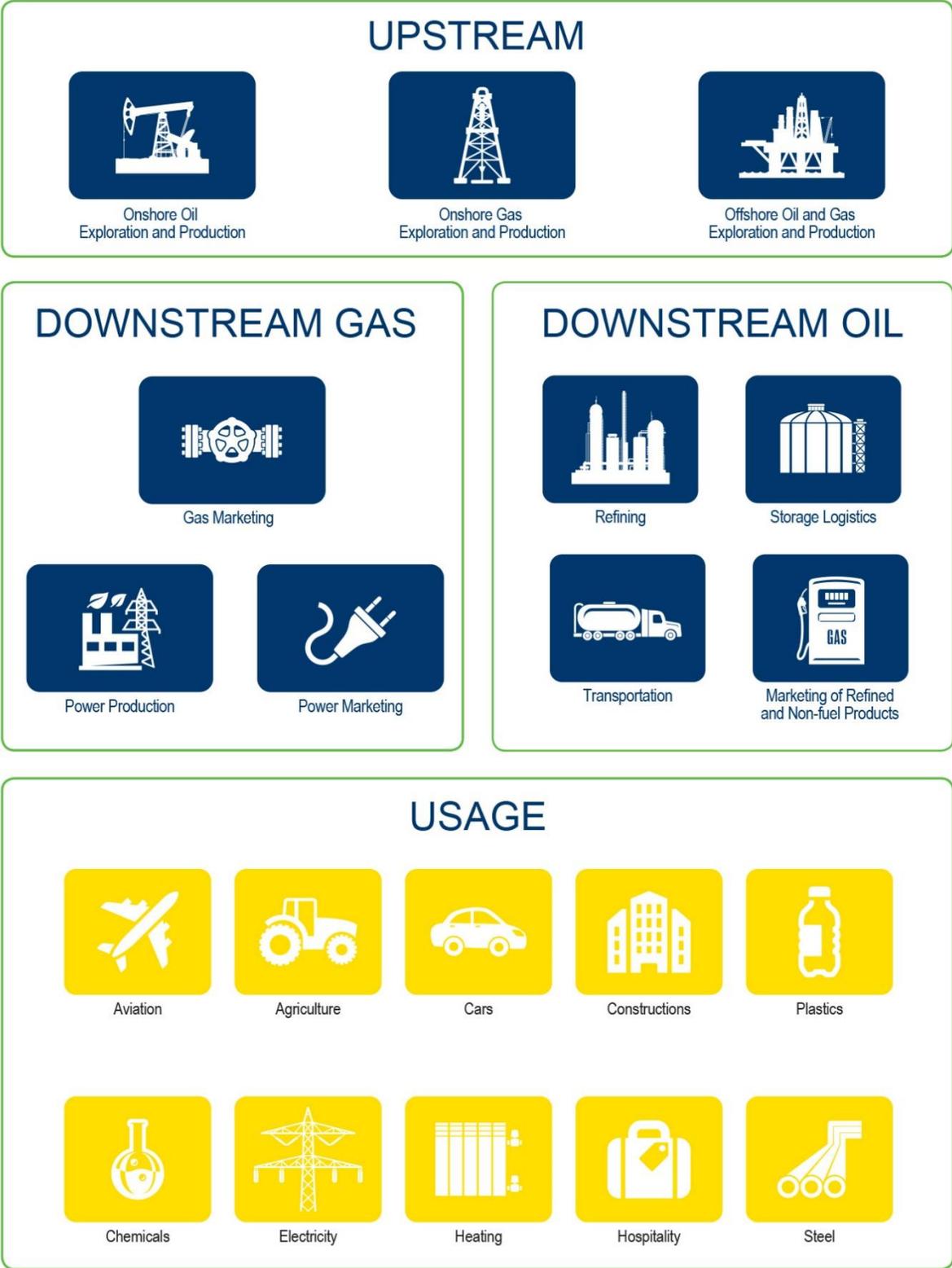
In Downstream Gas, we are engaged in electricity production, as well as gas and power sales. We operate the Brazi gas fired power plant, which has a capacity of 860 MW. In 2020, the Downstream Gas segment recorded gas sales volumes of 57.0 TWh (thereof 47.7 TWh to third parties), the equivalent of 5.3 bcm, and generated 4.2 TWh of electricity.

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

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



# Our business model



## Why invest in OMV Petrom

OMV Petrom is the largest energy company in Southeastern Europe and the largest Romanian company listed on the Bucharest Stock Exchange, with a market capitalization of EUR 4.2 bn at the end of 2020.

21.35% of OMV Petrom's capital is free float traded as shares on the Bucharest Stock Exchange and as GDRs on the London Stock Exchange.

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

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

OMV Petrom also benefits from the expertise and international exposure of OMV, the majority shareholder with 51.01% of shares, one of Austria's largest listed industrial companies.

Since its privatization 16 years ago, OMV Petrom's story has been about transformation, restructuring and modernization. There has been an enormous amount of change to get the best out of our assets, align ourselves with best practice and industry trends and be leaders in the way we develop our people.

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

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

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

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

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



## Resilient results in a year with twofold crisis

<b>CLEAN CCS OPERATING RESULT<sup>1</sup></b> (IN 2019: RON 4.6 bn)	<b>CLEAN CCS NET INCOME ATTRIBUTABLE TO STOCKHOLDERS<sup>1,2,3</sup></b> (IN 2019: RON 3.9 bn)	<b>NET INCOME ATTRIBUTABLE TO STOCKHOLDERS<sup>2</sup></b> (IN 2019: RON 3.6 bn)
RON <b>2.3 bn</b>	RON <b>1.9 bn</b>	RON <b>1.3 bn</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b> (IN 2019: RON 6.8 bn)	<b>CAPITAL EXPENDITURE</b> (IN 2019: RON 4.2 bn)	<b>TOTAL DIVIDENDS</b> (IN 2019: RON 1.8 bn)
RON <b>5.6 bn</b>	RON <b>3.2 bn</b>	RON <b>1.8 bn<sup>4</sup></b>
<b>FREE CASH FLOW AFTER DIVIDENDS</b> (IN 2019: RON 1.7 bn)	<b>CLEAN CCS ROACE<sup>1,3</sup></b> (IN 2019: 13.8%)	<b>DIVIDEND PER SHARE</b> (IN 2019: RON 0.031)
RON <b>0.7 bn</b>	<b>6.4%</b>	RON <b>0.031<sup>4</sup></b>
<b>PAYOUT RATIO</b> (IN 2019: 48%)	<b>DIVIDEND YIELD<sup>5</sup></b> (IN 2019: 7%)	<b>TOTAL SHAREHOLDER RETURN<sup>6</sup></b> (IN 2019: 58.5%)
<b>136%<sup>4</sup></b>	<b>8.5%</b>	<b>-12%</b>

All values refer to 2020, unless otherwise stated

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

<sup>2</sup> After deducting net result attributable to non-controlling interests;

<sup>3</sup> Excludes additional special income related to field divestments reflected in the financial result;

<sup>4</sup> Dividend subject to GMS approval on April 27, 2021;

<sup>5</sup> Calculated with the share prices at the end of the previous year;

<sup>6</sup> Calculated with previous year dividend per share.

## Partner for Romania

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

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

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

**KEY ROLE IN  
BALANCING NATIONAL  
ELECTRICITY SYSTEM**

**JOBS**

**WE EMPLOY  
~11,000 PEOPLE**

**16**

**BILLION EURO  
INVESTED DURING  
2005-2020**

**32.3**

**BILLION EURO  
TAXES AND  
STATE BUDGET  
CONTRIBUTIONS  
PAID DURING**

**2005-2020**

**~ 72** MILLION EURO IN SUSTAINABILITY  
PROJECTS DURING 2007-2020

**TECHNOLOGY IS EMBEDDED  
IS OUR STRATEGY**

**SAFETY IS OUR  
TOP PRIORITY**

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

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



# Company

- 10 Statement of the Chief Executive Officer
- 12 OMV Petrom on the capital markets
- 16 OMV Petrom Strategy
- 20 Sustainability Strategy
- 22 People Strategy
- 23 Business environment
- 26 Business segments' operational performance
  - 26 Upstream
  - 30 Downstream Oil
  - 33 Downstream Gas

## Statement of the Chief Executive Officer

### Dear Shareholders,

We had a very challenging and eventful year 2020, in the context of a twofold crisis generated by the COVID-19 pandemic and the decrease of commodity prices. Yet, we proved our agility, ensured business continuity and security of energy supply, we maintained our commitment towards our stakeholders and had a good operational and financial performance. I am very grateful to all my colleagues from the Executive Board and the entire OMV Petrom team for their great commitment and achievements during a year that tested our limits as humans and organizations.

During the COVID-19 pandemic, the **climate change** debate has intensified. As an energy company, we aim to be part of the solution in the transition to cleaner energy, and our business model, as well as the steps made so far, endorse our commitment to contribute to the energy transition of Romania. In this context, we see an increasing role of gas projects such as Neptun Deep in the transition to a lower-carbon economy, besides the benefits for the country's economic growth and security of supply.

In 2020, we further pursued our initiatives to reduce carbon emissions of our operations, which decreased by 7.5% yoy and by 26% versus 2010, advancing towards our target of 27% reduction until 2025 versus 2010<sup>1</sup>. Lost Time Injury Rate was at record low of 0.15, our strongest annual performance since privatization in 2004, also better than the international benchmark. Moreover, we continued our initiatives within the "Romania Eficienta" (Efficient Romania) program and we supported Romania's health care system.

In 2020, we made further progress in executing our **strategy**. In Upstream, we advanced with the regional expansion in our Black Sea focus area by entering Bulgaria and by winning a tender in Georgia. In Downstream Oil, we signed the contract to extend the partnership with Auchan, planning to open up to 100 proximity stores per year, around 400 in total by 2025. We also increased the blending capacity of bio-content in fuels, by year-end we had photovoltaic panels installed in 82 filling stations in Romania and we entered partnerships with Enel X and Eldrive in the e-mobility field. In Downstream Gas, steps were taken to expand our gas and power operations in the neighboring markets, supporting the ambition to shift from a domestic supplier to a regional energy player.



Despite the difficult context, our **2020 financial performance** was resilient. Our operating cash flow reached RON 5.6 bn, decreasing to a much lower extent than Operating Result mainly due to the strict working capital management. Our CAPEX was down by 24% yoy, as we rephased and optimized long-term delivery projects and postponed non-committed investments. We also reduced operational costs and exploration and appraisal expenditures. These contributed to our financial strength, which allowed us to distribute dividends of RON 1.8 bn for the financial year 2019, an increase of 15% compared to the previous year.

Looking at each business segment, in **Upstream**, we are proud of containing the production decline below the 5% guidance and of our ability to maintain the opex stable while achieving a positive Clean Operating Result, in the context of an over 25% yoy decrease in oil and gas prices.

In **Downstream Oil**, the 92% utilization level of our refinery was excellent, significantly above the European average of around 72%<sup>2</sup>. We capitalized on the flexibility of our supply chain, selling more equity products in all our markets, while reducing third-party supply. Solid sales margins complemented the good operational performance of our sales channels. As a result, our Clean CCS Operating Result only slightly declined, despite the significant slump in the refining margin.

In **Downstream Gas**, we had the best year on record from three perspectives: gas sales volumes (mostly regulatory

<sup>1</sup> Details will be available in OMV Petrom's Sustainability Report for 2020.

<sup>2</sup> Aggregated from monthly European refinery utilization rates in Monthly Oil Market Reports published by OPEC

driven, leading to enhanced trading activity), net electrical output, and segment Clean Operating Result.

OMV Petrom's **share price**, while 19% down yoy, outperformed peers' average. The liquidity went up by 8% yoy, helped by higher free float and the Issuer Market Making program implemented starting September.

**Based on our 2020 cash position and results, the Executive Board proposed a gross dividend of RON 0.031/share for the 2020 financial year, flat yoy and representing a 136% payout ratio. The proposal was approved by the Supervisory Board and is subject to further approval by the GMS on April 27, 2021.**

**Looking ahead**, we aim to maintain the **annual production decline** in Romania at around 5% yoy, excluding portfolio optimization, between 2021-2023. Given the expected recovery in demand, we foresee higher refined product sales volumes and net electrical output, while for gas sales we expect volumes to be lower in 2021 versus 2020. In terms of **CAPEX excluding acquisitions**, we estimate RON 2.9 bn for 2021 and an annual average for 2022-2023 of RON 3.8 bn (excluding also development of major strategic projects), most of which to be allocated to Upstream. We remain committed to achieving a positive free cash flow after dividends and excluding major development

capex, maintaining a strong balance sheet, and continuing to offer an attractive progressive dividend to our shareholders going forward.

2021 is a crucial year for the Black Sea gas projects such as Neptun Deep as we expect the Offshore Law to be amended, according to public statements.

In order to contribute to a cleaner environment, in addition to our efforts for lowering the CO<sub>2</sub> emissions, we are assessing various sustainable energy projects, including solar, photovoltaics and bio-fuels. In the second half of this year, we will provide **a strategy update**, including our approach regarding energy transition. We also aim to improve disclosure on climate change risks and opportunities, using the TCFD framework, to which we adhere since July 2020.

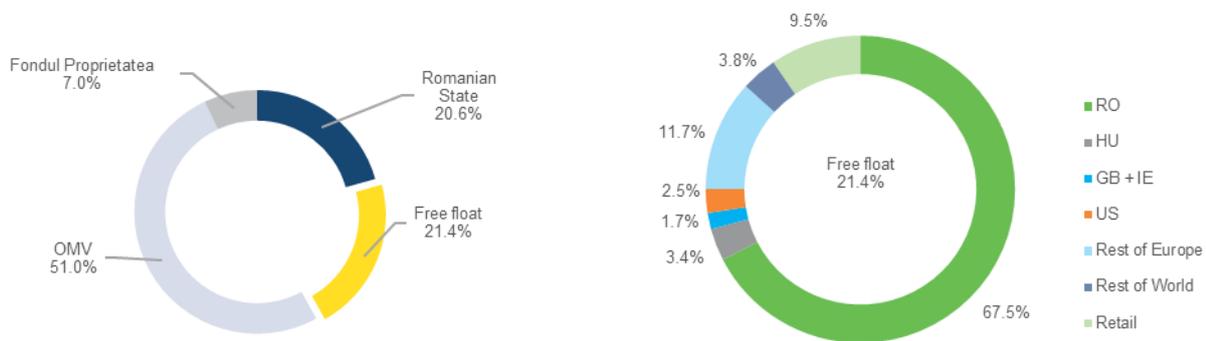
Let me take this opportunity to **thank all** of our shareholders, other stakeholders and employees for your trust and continuing support over the very challenging past year and ensure you that we will continue our greatest efforts to enhance both OMV Petrom's value and the overall economic and social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

Christina Verchere

## OMV Petrom on the capital markets

### Shareholder structure

At the end of 2020, OMV Petrom S.A. had the following shareholding structure: 51.0% – OMV Aktiengesellschaft, 20.6% – Romanian State, and 7.0% – Fondul Proprietatea S.A (FP). The remaining 21.4% represents the free float, traded as shares within the Premium category of the Bucharest Stock Exchange (BSE) and as GDRs within the Standard category on the main market of the London Stock Exchange (LSE). The free float increased by three



percentage points following the sale by Fondul Proprietatea via an Accelerated Book Building (ABB) in September 2020. At the end of 2020, 477 legal entities from Romania and abroad held 90.5% of the free float shares or 19.3% of OMV Petrom share capital, with the remainder (9.5% of the free float or 2.0% of capital) being held by around 456,000 private individuals.

An analysis of our shareholder structure, as at the end of 2020, shows that 67.5% of the free float was held by Romanian institutional shareholders (2019: 60.6%), 9.5% by retail investors (2019: 9.9%), 3.4% were Hungarian institutional investors (2019: 3.7%), 1.7% were from the UK and Ireland (2019: 2.0%), 2.5% were from the USA (GDR component included in this category) (2019: 5.6%), 11.7% were from other European countries (2019: 14.1%), and 3.8% were from rest of the world (2019: 4.1%).

### Shares

The evolution of OMV Petrom share price in 2020 was significantly influenced by the development of the COVID-19 pandemic which also caused stock market crashes, both locally and internationally, most notably between February and April 2020.

The year started on a positive note, hence the **highest share price** of the year, RON 0.4500, was quickly reached on January 7 and 9. However, by the end of January 2020, markets had already started to decline, as the World Health Organization declared the rapidly spreading COVID-19 outbreak a Public Health Emergency of International Concern.

The capital market correction deepened in March, catalyzed by turbulence in the oil market. During this time, the oil and gas sector suffered twin shocks of demand destruction due

to the pandemic and of supply surge following tensions at OPEC+ level. The tensions culminated with Saudi Arabia increasing crude oil production and selling it at a discount, thus sending oil prices and international markets into free fall. On March 9 and March 12, international stock markets recorded some of the biggest daily losses in years, as the COVID-19 disease was declared a pandemic (March 11) and lockdowns were widely being imposed around the world. In this context, on March 9, OMV Petrom share recorded also its highest daily decline in 2020 of 13.9%.

Taking cue from international markets, OMV Petrom's share also declined, reaching the **lowest share price** for trades on the Regular market, RON 0.2735, on March 18, 2020.

From April 2020 onwards, global capital markets returned to bullish sentiments, on hopes of COVID-19 vaccines and quick economic recovery. However, volatility remained high throughout the year, as diverse information – conflicting data regarding economic outlook, governments' measures to mitigate the impact of the pandemic, political and civil unrest in major economies such as the US – swayed investors in different directions. In mid-April, OPEC+ reached an agreement on production cuts for the period May 2020 through April 2022, which helped the oil markets and consequently, OMV Petrom share price and industry specific indices to recover.

On the **ex-dividend** date May 13, the SNP share price corrected by 7.7% (RON 0.028), less than the equivalent of 2019 dividend per share of RON 0.031. The share price ended the month 5.8% below the share price on May 12, but up 7.5% mom, while the BET index appreciated by 9.1% mom.

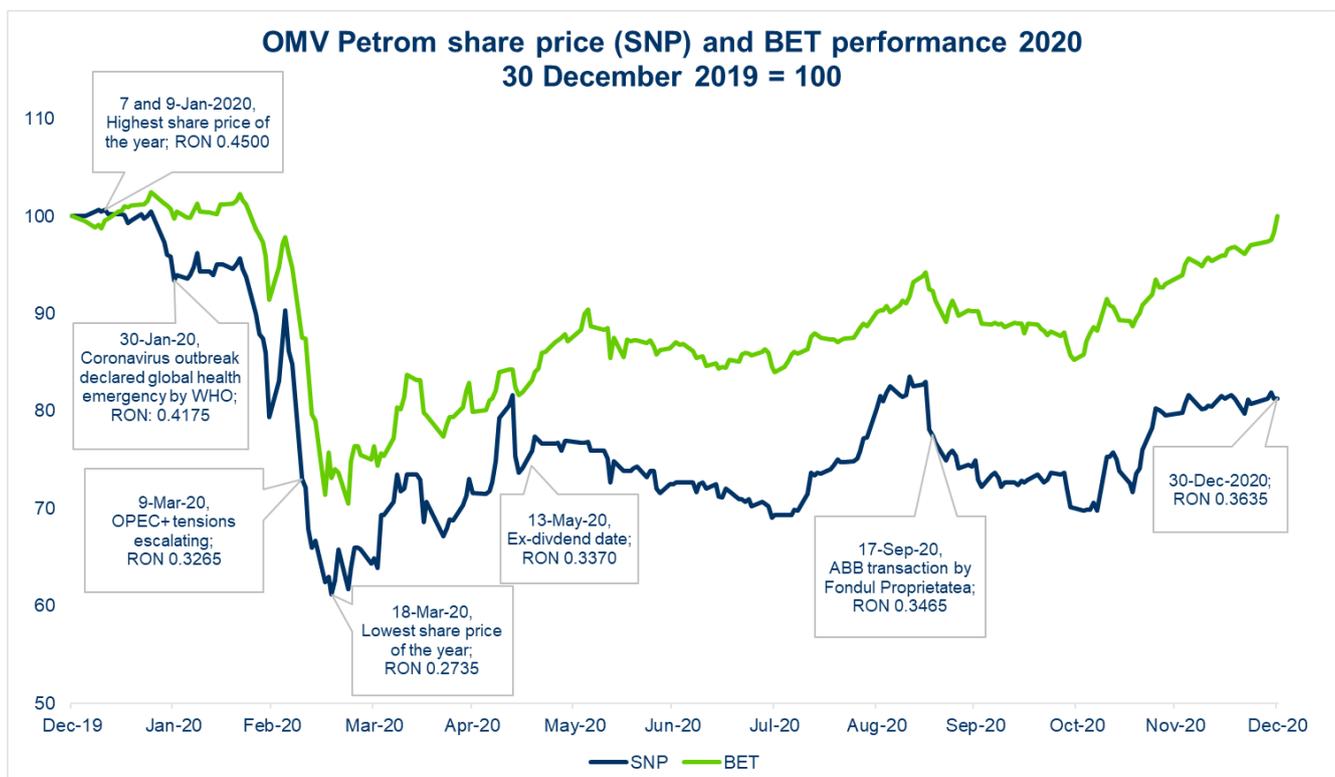
Another sizeable daily decrease of the OMV Petrom share price (-5.9%) was recorded after the pricing of FP's ABB was announced (September 16). On the next day, FP sold 1.7 bn shares or 3% of OMV Petrom's capital at RON 0.33, a discount of 11% to the share price before the deal announcement.

The 2020 **average OMV Petrom share price** for trades on the Regular market was RON 0.3473, 11% lower than the 2019 figure of RON 0.3886, while the average dated Brent oil price decrease was of 35% yoy. The **highest daily traded volume** on the Regular market of 59.6 mn shares was registered on August 17. The **average daily traded volume**, including Deal trades, was 9.9 mn shares (2019: 9.2 mn), up 8% yoy, helped by the conclusion of an Issuer market making (IMM) program on September 3, 2020. The

**average daily traded value** was RON 3.39 mn, down 5% yoy in RON terms. The 2020 average daily traded value in EUR terms was EUR 0.70 mn.

From the floors reached in March, domestic indices followed an upward trend for the rest of 2020, most of them not fully recovering, however, to the levels reached in the previous year. The **BET index** closed the year 2% below the value of at the end of 2019. The **BET-NG index** (comprising stocks in the energy and utilities sectors) in which OMV Petrom has a weight of around 30%, decreased by 12% yoy. The **BET-BK index** (designed as a benchmark for asset managers and institutional investors) also decreased by 1% yoy. The **BET-TR (total return BET)** appreciated by 3% yoy in 2020. As of September 21, 2020, FTSE's reclassification for Romania to Secondary Emerging Market became effective.

Underperforming the BET index by 17.0 percentage points, OMV Petrom share ended the last trading session of the year on December 30 **at the share price of RON 0.3635**, 19% lower yoy. The **total shareholder return** (including the dividend of RON 0.031/share for the 2019 financial year) **was (12)%**.



OMV Petrom S.A. **market capitalization** at the end of 2020 was RON 20.6 bn or EUR 4.2 bn, accounting for around 13% of the total market capitalization of the companies

listed on the BSE and for around 23% of the capitalization of the BET index (representing the 17 most liquid blue-chip stocks listed on the BSE).

### OMV Petrom S.A. share symbols

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

### At a glance

	2020	2019	Δ (%)
Number of shares (mn)	56,644.1	56,644.1	0
Market capitalization (RON mn) <sup>1</sup>	20,590	25,320	(19)
Market capitalization (EUR mn) <sup>1</sup>	4,229	5,298	(20)
Year's high (RON)	0.4500	0.4470	1
Year's low (RON)	0.2735	0.2820	(3)
Year end (RON)	0.3635	0.4470	(19)
EPS (RON)	0.0228	0.0642	(64)
Dividend per share (RON)	0.031 <sup>2</sup>	0.031	0
Dividend yield (%) <sup>1</sup>	8.5	7.0	21
Payout ratio (%) <sup>3</sup>	136	48	183

<sup>1</sup> Calculated based on the closing share prices and RON/EUR exchange rates as of the last trading day of the respective year;

<sup>2</sup> Dividend subject to GMS approval on April 27, 2021;

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

### Global Depositary Receipts (GDR)

The **GDR price on the last trading day** in 2020 was USD 13.0, translating into a 13.3% yoy decrease. In 2020, the GDR price ranged between a USD 15.7 **high** (on January 2) and a USD 11.3 **low** (first reached on July 7).

In total, 4,454 GDRs were traded in 2020 (2019: 64,492), while the **daily average number of GDRs** was 17 (2019: 254).

The **highest monthly trading volume and value** were reached in July (1,163 GDRs, worth of USD 13,142), while the lowest in February - May (no trades). **The total value of GDRs traded** in 2020 was USD 0.06 mn (2019: USD 0.95 mn).

258 GDRs were issued in July and 1,427 GDRs were cancelled in January 2020. The **number of GDRs**

**outstanding** at the end of each month ranged between 181,353 (in January) and **181,611 (in December)**. The latter figure represents 7.3% of the GDRs issued in the October 2016 Secondary Public Offering and 0.23% of the free float as of end-2020.

In 2020, indices on the European and US exchanges had mixed evolutions. Some reached record levels towards the end of the year, as markets grew increasingly optimistic that the widespread vaccinations against COVID-19 would lead to a return to normal life and thus boost the economic recovery. Oil and gas - specific indices had a more subdued evolution, as the outlook for oil demand recovery remained uncertain. The DAX increased by 3.5% yoy, FTSE 100 decreased by 14.3% yoy, STOXX Europe 600 decreased by 4.0% yoy, STOXX Europe 600/Oil & Gas closed 25.8% lower yoy, while Dow Jones Industrial average increased by 7.2% yoy.

### OMV Petrom S.A. GDR symbols

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

#### Own shares

At the end of 2020, OMV Petrom S.A. held a total number of 204,776 own shares, representing 0.0004% of issued share capital. In 2020, OMV Petrom did not buy back or cancel any Treasury shares.

#### Investor Relations activities

During 2020, the company's top management and the Investor Relations (IR) team had an active presence on the local and foreign capital markets, by attending conferences and organizing calls for analysts and investors. In the context of the pandemic, the interactions took place mostly online, including for the Annual General Meeting of Shareholders, as there were no shareholders attending in person the meeting. In 2020, we attended 12 conferences and we virtually met around 90 investment funds from all over the world. Such interactions provided the opportunity to regularly update investors and analysts on the company's response to the COVID-19 crisis and oil price volatility, as well as on the quarterly operational, financial performance and strategy execution. During 2020, the number of interactions with focus on ESG (Environmental, Social and Governance) topics increased. More specifically, we received questions around the impact of the European Green Deal on our sustainability strategy and capital expenditure plans.

The main tool via which we update capital markets is the quarterly reporting package, which provides a comprehensive resource for analysts and investors. The package includes, among others, **Trading Update of Key Performance Indicators (KPIs)** to provide early guidance on OMV Petrom's key trends for the quarter. OMV Petrom continued publishing a **Factsheet** as well as the **Questions and Answers** document of the quarterly conference calls on its corporate website: [www.omvpetrom.com](http://www.omvpetrom.com).

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

#### Analyst coverage of OMV Petrom shares

At the end of 2020, **OMV Petrom stock was covered by nine analysts** (2019: nine), of whom eight (or 89%) had "Buy" or equivalent ratings (end of 2019: 55%) and one (or 11%) had a "Hold" or equivalent rating (end-2019: 33%). No analyst had a Sell rating (2019: 11%). **The average target price (TP)** according to analyst consensus estimates was RON 0.403 (translating into a 11.0% upside potential compared to the share price of RON 0.3635 on the last day of trading in the year). This compares to an average TP of RON 0.462 as at end-2019.

#### Dividends

The Supervisory Board has approved the Executive Board's proposal to the Ordinary GMS to distribute a gross dividend per share of RON 0.031 for the year 2020, which is in line with the current dividend policy. This translates into a total cash outflow of RON 1,756 mn, a payout ratio of 136% of the Group's 2020 net profit attributable to stockholders of the parent (2019: 48%), or 73% of the Group's 2020 free cash flow (2019: 54%). The 2020 dividend proposal is subject to the approval of the forthcoming Ordinary GMS on April 27, 2021.

#### Dividend policy

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

# OMV Petrom Strategy

In 2020, the Romanian economic environment was marked by a high level of uncertainty, largely related to the COVID-19 pandemic. Despite the high market volatility and weak demand, OMV Petrom’s achievements at the end of 2020 are remarkable, proving once more the value of our integrated business model, the flexibility in adjusting the plans and our results’ resilience.

To ensure business sustainability, the company has to continue the programs started and, at the same time, adjust to the challenges and uncertainties of the current market environment, while playing an important part in the energy transition. To address these, our strategy update is in preparation and we will present it, including our approach

regarding the energy transition, in the second half of this year.

The projects and programs envisaged under the three strategic pillars – **improving the competitiveness of our existing portfolio, developing new opportunities for growth, and expanding our regional footprint** – ensure the maximization of the integrated value of our company, the sustainability of our core assets, the competitiveness of our portfolio, and the growth in Romania and regionally. People and Organizational Culture, Technology and Innovation, and Sustainability are the strategic enablers supporting the implementation of the strategy.

## OMV Petrom achievements on strategic objectives



### 2021+ Strategic Objectives



Upstream

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



DS Oil

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



DS Gas

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

<sup>1</sup> Production Sharing Contract

### 2020 Achievements

- ✓ Production cost stabilized at **~11 USD/boe**
- ✓ **40 marginal fields are being divested**, process to be finalized in H1/21
- ✓ **>70%** automated wells and modernized / automated facilities
- ✓ **Entered offshore Bulgaria**
- ✓ **Entering offshore Georgia**; PSC<sup>1</sup> signed in Q1/21
- ✓ **Kazakhstan divestment contract signed**; closing expected in H1/21

- ✓ **<8%** Fuel & Loss; **~92%** refinery utilization rate, above European average
- ✓ **Increased bio-blending capacity** from 200 kt to ~350 kt
- ✓ Contract signed to open **~400 MyAuchan stores in 5 years**, modernization of Petrom branded filling stations began
- ✓ **~5 mn l** throughput/ filling station in Romania
- ✓ **Partnership signed with Enel-X & Eldrive** to install 40 fast recharging stations for electric cars by end of 2021

- ✓ Record high result of the **integrated gas and power business model**
- ✓ Strengthened **leading position on the Romanian gas market**
- ✓ 57 TWh record high **gas sales volumes** in 2020
- ✓ 4.1 TWh Brazi power plant record high **net electrical output** in 2020
- ✓ **Extend supply portfolio** with 3<sup>rd</sup> party gas volumes
- ✓ **Regional operations** in neighboring countries



### Divisional contribution to Strategy 2021+

The plans defined to **improve the competitiveness of our existing portfolio**, the first pillar of the strategy, have continued in all business divisions. In Upstream, two main strategic directions are pursued to successfully extract the highest value from our core assets: improving competitiveness with a continued commitment to operational

excellence and exploiting the full potential of opportunities in Romania. A stabilized production cost at around 11 USD/boe was maintained as a result of the strict cost discipline, increased Mean Time Between Failures (MTBF), optimized operations and processes. The MTBF reached 810 days, thus exceeding the 2021 target of 800 days one year earlier, and therefore, the ambition for 2021 was

revised to approximately 840 days. We remain committed to the 2025 target of reaching a MTBF of more than 900 days by focusing mainly on root cause analysis, predictive maintenance and implementation of new technologies.

By the end of 2020, approximately 75% of our active wells portfolio and 70% of our production facilities had been automated and modernized. Our target is to reach an automation level of 95% for wells and 90% for facilities by 2025, leading to automated production systems enabling remote control, business digital transformation enabled through OT & IT (Operations Technology and Information Technology) systems digitalization, integration and digitally skilled workforce.

The divestment of non-strategic fields and the outsourcing of non-core activities have continued. The transfer of 40 marginal fields to Dacian Petroleum S.R.L., as part of the portfolio optimization program that aims to streamline operations and focuses on the core and most profitable fields, is expected to be finalized in the first half of 2021. In addition, the outsourcing of non-core activities (e.g. latest main outsourcing project referring to general surface services estimated to be finalized at the end of the first quarter of 2021) ensures an Upstream organization able to react in a more flexible, efficient and timely manner to both external and internal factors, by reducing the level of complexity and increasing efficiency and performance.

Maximizing the economic recovery through the implementation of selected Improved / Enhanced Oil Recovery programs, workovers and drilling programs will help achieve our targets for ultimate recovery factors of 28% for oil and 55% for gas. Viscous salt water flooding is the recovery technique applied for the pilot we are running in Independența field, the second largest onshore oil field in our domestic portfolio. Given the long production history, pressure depletion and the nature of the heavy oil being produced, the field had been declining at a high rate. Applying this technology targets to increase the total recovery by up to 15% of the original oil in place. The pilot started in 2019, and based on the good results of the first injection well, a second injection well was put in production in July 2020. Encouraging results have been registered and by the end of 2020 we have added more than 35,000 barrels of cumulative production since the beginning of the project. The use of this technology has the potential to increase production and unlock reserves in multiple fields across the Upstream portfolio. Our next candidate is Vața field, and further candidates are under evaluation.

Furthermore, one of our priorities remains to mature class 4 reserves. By targeting underexplored Near Field

Opportunities (NFO) in the proximity of existing infrastructure, selected Field Redevelopment programs and infill drilling, we expect significant reserves to be added. The NFOs target formations deeper than 3,000 meters with the aim to put the volumes fast into production, using an infrastructure-led appraisal approach, while leveraging the available capacity.

We are constantly focusing our efforts on protecting the environment, ensuring energy efficiency, and reducing carbon emissions, thus contributing to the achievement of the company's goal to reduce the carbon intensity of operations by 27% until 2025, compared to 2010. With a proactive and sustainable approach, we have continued the investments and implementation of projects designed to reduce the emissions, optimize the production flows, modernize facilities and reduce energy consumption. Moreover, we have initiated pilot-projects to use renewable energy and increase energy efficiency (e.g. Solar to Power) and works for additional 9 MW capacity of Gas to Power / Combined Heat and Power plants to prevent routine flaring.

In Downstream Oil, even in such difficult times, our refining business has proven its competitiveness in the region and we are proud of our operational results at the end of 2020: ~92% utilization rate, well above European average, and a Fuel and Loss ratio below 8%.

Reducing carbon footprint is also one of our main targets in Downstream Oil, therefore environmentally friendly initiatives continued in 2020. Following investments of approximately EUR 21 million starting 2018, Petrobrazi refinery has increased the blending capacity of bio-content in fuels from 200 kilotons to around 350 kilotons of bio-fuels per year. As per the European regulations, transposed into the local ones, the renewable energy content in transportation fuels must increase from 10% in 2020 to 14% in 2030, in order to support the reduction targets of greenhouse gas emissions arising from transportation. Bio-quota targets are set as energetic substitution targets, whereby each fuel has a different energy content defined. OMV Petrom supplies fuels with a volumetric bio-content of 6.5% in diesel and 8% in gasoline. In addition, we performed the field test for 1,000 tons of rapeseed oil as part of the bio-oil process and implemented initiatives for better detection and reduction of emissions.

In retail, by the end of 2020 we have installed photovoltaic panels in 82 filling stations in Romania, so that they can be supplied with green energy and reduce the consumption of conventional energy. By installing photovoltaic panels, more than 10% of the electricity needs of the filling stations is supplied from solar energy. The photovoltaic panels produce

more than 30,000 kWh of green energy per year in each filling station.

For Downstream Gas, 2020 was a year of important milestones. We achieved the record-high gas sales volumes of 57 TWh, the highest ever Brazi net electrical output of 4.1 TWh, and the best power business performance so far. Our 2020 result more than ever emphasises the strengths of our integrated gas and power business model.

With the target to diversify origination and trading activities, we have further diversified our gas supply sources, purchasing additional gas volumes to complement our declining equity production. We continued to work towards our strategic long-term goal of consolidating our leading position in the Romanian gas market, by preserving and further expanding our customer portfolio. More than before, we proved to be a key player on the Romanian electricity market, Brazi power plant having had an important contribution on the balancing and ancillary services market, enabled by its technical capabilities.

As part of the second strategic pillar – **developing growth options** – maturing Neptun resources remains one of the most important strategic objectives for the years to come. All prerequisites – including the regulatory framework, fiscal stability, competitive terms, liberalized gas market, and key infrastructure – have to be in place to enable the development of any gas investment of Neptun Deep scale.

In Downstream Oil, maximizing Petrobrazi profitability and building a sustainable refining business remain our priorities. We are continuing the evaluation of opportunities for petrochemicals and high-value products, capitalizing on the refinery's flexibility to adapt to the new environment and to use hydrocarbons in a sustainable manner, contributing to the decrease of our carbon footprint.

In retail, we achieved nearly 5 million liters throughput per filling station in Romania, even in the context of weaker demand due to the pandemic circumstances, as people preferred the safety of their personal cars instead of choosing public transportation solutions. To maintain leadership position remains the long-term ambition by differentiating from the competitors with our dual brand strategy. Strategic partnerships, programs to increase customer loyalty, refreshed filling stations design, and dedicated communication and campaigns to attract younger families are our plans to maintain the national Petrom brand – “value for money” – as undisputed leader in fuels in Romania. The “top quality leader” value proposition for OMV brand will be maintained by constantly offering high-performance fuels and reinforcing OMV Maxx Motion's

promise to prolong the engine life, perfectly complemented by VIVA offer as market differentiator, fulfilling “the energy for a better life” promise.

Following the pilot phase (first opening in May 2017), the partnership with Auchan Retail Romania was extended in August 2020 when the contract was signed. Extending the partnership is an important step, but also a milestone in our strategy to improve our customers' experience. With only one stop, our customers will be able to shop for their groceries while fueling their cars, thus saving time. This is a unique and innovative approach on the Romanian market and meets the expectations of the modern consumers and of the young generation, whose daily schedules are dynamic and alert. We continue in this way the successful story and we consolidate our position for the best quality-price ratio in the Romanian fuel retail. The plan is to open up to 100 proximity stores per year, around 400 in total by 2025. OMV Petrom and Auchan Retail Romania will invest more than EUR 50 million in total to refurbish the 400 Petrom branded filling stations. MyAuchan proximity stores will replace the existing commercial spaces in the Petrom-branded filling stations, offering to customers over 2,500 products.

Following the energy market trends and the increased pressure to reduce CO<sub>2</sub> footprint in all segments of activities, including transport, our retail strategy is complemented by a stronger focus on clean technologies and alternative means of transport. And when we talk about passenger cars, the obvious alternative is the electro-mobility. We believe that the answer to our customers' mobility needs is a mix of fuels and alternative solutions. The partnerships with Enel X and Eldrive for eMobility paves a new layer on the road to sustainable mobility. Through these partnerships, we contribute to the development of the charging infrastructure to enable the transit of electric cars in the region and we secure our presence in the electro-mobility field, extending our portfolio of services for all our customers, regardless of the type of vehicles they drive. We estimate that, by the end of 2021, over 40 charging stations for electric cars will be installed in our regional network. We focus on having in our network EV charging points of minimum 50 kW, to secure a fast recharging of 80% of the batteries of the electrical vehicles within approximately 25 minutes - considering the need for our customers to recharge their cars on the road, when they are usually in a hurry.

We have redefined our Upstream priorities under the third strategic pillar – **regional expansion** – focusing now on the Black Sea region and continuing to build a strong position in the area. Following our growth strategy, we have already made important steps for expanding our offshore presence

in the Black Sea region, by entering Bulgaria and by winning an international tender in Georgia.

In August 2020, OMV Petrom completed the acquisition of OMV Offshore Bulgaria GmbH, thus entering the Han Asparuh deepwater offshore exploration license (OMV Petrom 42.86%, Total 57.14% Operator). The Han Asparuh block is located in the western part of the Black Sea, in Bulgaria. The first exploration well, Polshkov-1, was drilled in 2016. This was followed by the drilling of two further exploration wells in 2017 (Rubin-1) and 2018 (Melnik-1). An extensive 3D seismic campaign was finalized in May 2020 covering 5,614 km<sup>2</sup>. The seismic data are currently being processed, towards maturing future drilling candidates.

In June 2020, OMV Petrom was selected as the winner of the international tender held for Offshore Block II, an exploration block with total area of 5,282 km<sup>2</sup>, located on the shelf and within the economic zone of the Black Sea, in Georgia. The Production Sharing Contract was signed in March 2021. As an operator, OMV Petrom will establish an operating company in Georgia, proceed with geoscientific and environmental studies in 2021 and prepare for a large offshore 3D seismic campaign in 2022, which will allow for a detailed evaluation of this block's potential.

In December 2020, we signed the transaction for the sale of 100% shareholding in Kom-Munai LLP (KOM) and Tasbulat Oil Corporation LLP (TOC) in Kazakhstan to Magnetic Oil Limited. KOM and TOC hold the production licenses for four onshore fields. Closing of the transaction is subject to certain conditions precedent including approval by the Kazakh Ministry of Energy and is expected in the first half of 2021.

Furthermore, in February 2021, OMV Petrom signed a memorandum of understanding with Naftogaz Group, Ukraine's national oil and gas company and one of the major players in the CEE gas market, for the cooperation in establishing joint gas exploration and production projects in Ukraine. Taking into account our strategy of expanding the activities in the Black Sea region, Ukraine is a natural step for understanding opportunities in the area.

In Downstream Gas, steps were taken to develop gas and power operations in the neighboring markets, supporting the ambition to shift from domestic supplier to regional energy player, leveraging market opportunities and existing business footprint. This will enrich our sales and supply portfolio in the region, offset the impact on our portfolio of the declining equity gas volumes, while mitigating the Romanian market concentration risk.

The progress of our strategy implementation is reflected in our financial performance. Although 2020 was impacted by the weak economic environment and all the challenges driven by pandemics, we recorded positive free cash flow after dividends.

### Digital Journey at OMV Petrom – smart opportunities across the value chain

In 2020, OMV Petrom demonstrated not only the ability to respond swiftly and effectively to the challenges of the year, but also took advantage of the opportunities unlocked by digitalization and new ways of working. The company introduced work from home and flexible working hours wherever possible to minimize health risks during the pandemic. Beyond that, the pace of change accelerated across the organization to upgrade the agility of the business. In this sense, we made important steps on the path of simplifying and digitalizing as many processes as possible. A great such example was the roll-out of the qualified digital signature across the company.

OMV Petrom has continued to leverage digital technologies to drive business performance and value generation across business divisions. As part of the **DigitUp** program in Upstream, through the GeoWorkspace technical environment, more than 170 OMV Petrom users involved in exploration, development and production activities accessed securely all critical applications while working remotely. Innovative tools such as a visual inspection application that uses image recognition to collect process parameters for wells and facilities, or drone inspections of oil storage tanks were used to reduce HSSE risks, perform faster data analysis and decrease costs. By implementing advanced process controls in two oil and gas treatment facilities plants in Romania, energy and resource efficiency are maximized and the lifespan of equipment increases.

In Downstream, the initiatives under the **Digital Motion** umbrella program range from advanced analytics and remote operator training at Petrobrazi refinery, to customer-centric innovations in the retail and commercial sales activities. For instance, the implementation of a fast lane concept in five pilot Petrom-branded filling stations having outdoor payment terminals was a premiere in the Romanian market, meant to cater to the expectation of the modern customers whose daily schedules are dynamic and alert. Other examples include electronic labelling, online invoicing and modern customer relationship management systems. We also pursue logistics excellence through various innovative projects, such as a pioneering end-to-end monitoring system that avoids fuel cross-contamination, ensures product safety and fuel tracking during the whole logistic chain that was implemented in Romania.

## Sustainability Strategy<sup>iii</sup>

OMV Petrom aims to provide a secure supply of affordable energy for the sustainable development of society. OMV Petrom has a long tradition of sustainable and responsible behavior in delivering energy with the purpose of improving people's lives. In 2020, we conducted our business in a careful and responsible manner, ensuring the supply of products and services based on special measures and in critical situations in response to the COVID-19 pandemic, without interruption of operational activities and without incidents.

### Our approach to sustainability

Sustainability for OMV Petrom means focus on conducting business responsibly, efficiently and in an innovative way. We are committed to creating long-term value for the company and our stakeholders, while respecting the environment, supporting the communities in which we operate, and striving to support the United Nations (UN) sustainable development goals. Every day, we do everything we can to make sure our employees return home safely. As a responsible business, we support our local communities to grow and develop. We constantly invest in improving the carbon efficiency of our operations and product portfolio with the aid of new technologies.

As the demand for energy is increasing worldwide, so are concerns about climate change. Moreover, this challenge comes with increasing expectations that companies such as ours deliver energy in a cleaner and sustainable manner. We believe the key to this challenge lies in finding the balance between climate protection efforts, affordable energy and reliable supply. We built our **Sustainability Strategy 2025** on this foundation. It sets out our top priorities and is already part of our company's DNA. It drives all our actions, as a solid business that acts responsibly towards all its stakeholders.

Measurable targets have been set in the **five focus areas**: "Health, Safety, Security and Environment (HSSE)", "Carbon Efficiency", "Innovation", "Employees", "Business Principles and Social Responsibility".

### Health, safety, security and environment

Health, safety, security and protection of the environment have the highest priority in all our activities. Proactive risk management is essential to achieving HSSE vision of "ZERO harm – NO losses".

#### 2025 targets and 2020 achievements

- ▶ Achieve zero work-related fatalities (**2020**: zero fatalities)
- ▶ Stabilize Lost-Time Injury Rate (LTIR) at below 0.30 per one million hours worked (**2020**: 0.15)
- ▶ Keep leading position for Process Safety Event Rate<sup>iv</sup> (**2020**: leading position maintained).

### Carbon efficiency

OMV Petrom is committed to acting on climate change mitigation and responsible resource management and focuses on improving the carbon efficiency of its operations and product portfolio. OMV Petrom supports the goals set forth by the Paris Climate Change Agreement and EU climate targets.

#### 2025 targets and 2020 achievements

- ▶ Reduce carbon intensity of operations<sup>v</sup> by 27% until 2025 vs. 2010 (**2020**: 26% reduction vs. 2010);
- ▶ No new projects with routine flaring and venting practice and phase out existing routine flaring and venting latest until 2030 (**2020**: we continued to implement projects to phase out routine flaring and venting).

### Innovation

OMV Petrom focuses on investments and partnerships in innovation, research and development. Our innovation efforts focus on optimizing production, developing innovative energy solutions and embracing digital technologies.

#### 2025 targets and 2020 achievements

- ▶ Co-process around 90,000 tons of biogenic feedstock per year in the Petrobrazi refinery by 2025 (**2020**: process studies finalized; start process design work);
- ▶ Implement Improved Oil Recovery (IOR) pilots in Upstream to increase the recovery factor of our oil fields (**2020**: successful pilot in Independența field, results of

<sup>iii</sup> All information on 2020 achievements refers to preliminary data or estimates; final data will be available in the 2020 Sustainability Report to be published by 31 May 2021;

<sup>iv</sup> The Process Safety Event Rate is defined as T1+T2/ workhours business units (employees and contractors). This definition excludes workhours from the corporate functions General management and finance in OMV Petrom);

<sup>v</sup> CO<sub>2</sub> equivalent emissions produced to generate a certain business output using the following business specific metric (Upstream: t CO<sub>2</sub> equivalent / toe produced, Refineries: t CO<sub>2</sub> equivalent / t throughput, Power: t CO<sub>2</sub> equivalent / MWh produced) consolidated to an OMV Group Carbon Intensity Operations Index based on weighted average of business segments carbon intensity.

project extension are pending; started execution for a similar project in Vața field).

### Employees

OMV Petrom sees its employees as the key to its success. Diversity is a high priority, which is why targeted measures are also planned in this area. In particular, OMV Petrom is striving to increase the proportion of women at management levels through leadership and mentoring programs.

#### 2025 targets and 2020 achievements

- ▶ Increase share of women at management level to 30% (2020: 25.56%);
- ▶ Increase the next generation of talents through fresh graduate employees (2020: 20 fresh graduates hired);
- ▶ Measure and increase the engagement level of our employees (2020: dedicated programs continued).

#### Business principles and social responsibility

At OMV Petrom, we have a long tradition of responsible behavior towards employees, environment and society. We follow the guidelines of the UN Global Compact, the UN Guiding Principles on Business and Human Rights, and the UN Sustainable Development Goals.

#### 2025 targets and 2020 achievements

- ▶ Raise business ethics awareness for all employees through trainings and compliance communication programs (2020: 337 employees were trained in business ethics);
- ▶ 20 supplier audits covering sustainability topics by 2025 (2020: 12 supplier audits conducted);
- ▶ Human rights training for all employees exposed to human rights risks by 2025 (2020: 1,307 employees trained on human rights);
- ▶ Assess Community Grievance Mechanism of all business divisions against UN Effectiveness Criteria<sup>vi</sup> (2020: 737 registered grievances and 575 solved, in addition to 101 from the previous year);
- ▶ Maintain social license to operate through yearly community relations and community development strategies, plans and budgets, based on social impact needs and risks assessment in our operations (2020: over 60 projects implemented covering more than 65 local communities from all our sites; more than EUR 6 mn spent for social and environmental projects).

For additional information please access the “Sustainability” section on our website [www.omvpetrom.com](http://www.omvpetrom.com).

<sup>vi</sup> Legitimate, Accessible, Predictable, Equitable, Transparent, Rights-compatible, A source of continuous learning, Based on engagement and dialogue

## People Strategy

OMV Petrom's People Strategy is set on five principles – **Team Spirit, Accountability, Passion, Pioneering Spirit, and Performance** – that guide us for obtaining sustainable business growth. It is managed by the Human Resources Department, whose scope is to support the implementation of four priorities through planned initiatives that target:

- ▶ Strengthening leadership capability;
- ▶ Focusing on culture and performance;
- ▶ Increasing organizational agility;
- ▶ Remaining a great place to work.

### Specific Programs fulfilled in 2020

- ▶ Implementation of **Get to Know and Grow** – a development initiative focusing on Core TOP Talents employees led by OMV Petrom Executive Board Members. It consisted in development talks between Executive Board Members and Core Top Talents in a cross-divisional set up;
- ▶ **Launch of Career round table** – a program that aimed to enhance cross-divisional talent visibility and mobility, same time tapping more into internal source capabilities of the company in search for talents for various projects and roles;
- ▶ **Organization of Employer Branding Webinars** – online events for students and young graduates (approximately 100 participants) to strengthen employer branding and increase engagement with the next generation of professionals;
- ▶ **Launch of Crowdsourcing** – The initiative involved 20 young graduates and students, 8 internal mentors and facilitators that worked in teams on the topic: *Unboxing*

*employee experience. What are the hopes and job expectations of the new generation?*

### Training programs

In total, in 2020, we delivered 135,285 hours of training to our employees, of which 22,187 hours of online training session.

### Diversity and Inclusion initiatives

In 2020, at OMV Petrom level, we started the Diversity and Inclusion programs by organizing a face-to-face workshop on how to combat gender bias at work, for a group of women. Once the pandemic started, programs continued in the virtual environment.

Moreover, in 2020, we started the planning for additional initiatives that will be rolled-out in 2021, such as Diversity Talks, a series of events based on diversity success stories that aims to:

- ▶ Raise awareness on main diversity topics of interest for OMV Petrom Group;
- ▶ Identify relevant diversity topics or immediate needs of the companies / groups across the world;
- ▶ Collect and present best practices existing across the Group, as well as promote to business as usual the most relevant experiences;
- ▶ Build a Community of Diversity Experts and Ambassadors that will be able to address and constructively deal with main diversity indicators.

Additional information will be available in the 2020 Sustainability Report that will be published by May 31, 2021.

## Business environment

### Global macroeconomic and sector trends

In 2020, the global economy struggled with both health and economic effects of a profound and rare crisis, triggered by the COVID-19 pandemic. As a result of the exceptional measures imposed by governments across the world to contain the pandemic, global economy contracted sharply, by 3.5%, experiencing its worst recession since the Great Depression. World trade volume collapsed by 9.6% as economic activity slowed down markedly in the first half of the year. Policymakers and central banks were swift in deploying an array of unprecedented support schemes to households, businesses and financial markets. Cumulatively, global actions amounted to USD 14 trillion in fiscal support for the economy, around 16% of world GDP, and USD 9 trillion in monetary support through interest rate cuts and other measures by central banks. Due to the imposition of lockdowns some economic sectors were hit harder than others, with tourism, travel, hospitality and entertainment being among the most severely affected. However, despite the pandemic inflicting significant economic costs, the downturn was not as deep as initially feared and the subsequent recovery, which started in the second half of the year, was stronger than expected. Retail sales and new house building recovered partially, supported by the increase in households' saving ratio during the lockdown. The US economy contracted by only 4.9%, helped by the Federal Reserve's large scale debt purchases, direct cash payments to targeted households and an economic environment with virtually zero interest rates. Although Japan did not impose a compulsory lockdown, its economy shrank by 5.1% as government's call for voluntary business closures at the onset of the crisis was widely respected. The Chinese economy was a rare exception, with domestic demand remaining in positive territory, managing to grow by 2.3%, thus reaping the benefits of stringent measures taken to bring the pandemic under control.

The European Union (EU) was one of the regions on the globe hardest hit by the pandemic. The EU economy declined by 6.4% as services, which account for a large share of it, were severely impacted by mobility restrictions. Output contraction reached post-war records across most of the EU economies, recording 5% in Germany, 8.3% in France, 8.8% in Italy and 11% in Spain. Stronger exports, notably driven by the increase in Chinese demand, and a partial recovery in investment during the second half of the year, mitigated the sharp decline in private consumption. Manufacturing activity continued to advance despite the virus resurgence in autumn, partly supported by increased foreign demand. The EU labor markets, which were under severe strain in the first half of the year, benefited from short-time work schemes and other government support policies, thus limiting the expansion in unemployment and

preventing large household income losses. In response to the extraordinary economic circumstances, the European Council agreed to set up a massive EUR 750 bn recovery fund, financed – for the first time ever – by European sovereign bonds in order to support reforms and investments in member countries.

**Consumer prices** in advanced economies grew at an annual rate of only 0.7% as the drop in demand weighed down on prices. EU annual inflation rate decelerated to 0.2% from 1.6% a year before, partially impacted by substantial declines in travel-related services inflation, lower oil prices and a temporary reduction in German VAT rates during the second half of the year. Financial markets were volatile and, after an initial sizable fall in early 2020, they recovered, aided by the extremely large monetary expansion measures by the world's largest central banks. The main stock market indices in the US, Japan and China posted gains in 2020, while most of those in Western Europe, except Germany and the Netherlands, ended the year lower.

Total **global oil demand** plummeted by a record 8.8 mn bbl/d to 91.2 mn bbl/d in 2020 with lockdowns-induced travel restrictions impinging heavily on demand. Both OECD and non-OECD countries incurred a substantial drop in oil consumption, by 11.8% and 6.1% respectively, as reduced economic activity related to the pandemic triggered changes in demand patterns for oil as well as other fuel liquids. The demand for jet fuel, in particular, plunged the most, being reduced by more than 3 mn bbl/d in 2020. Domestic and international travel restrictions impacted heavily the aviation sector, bringing air passenger traffic down by 60%. **Global oil supply** responded to the unprecedented weakness in demand dropping by 6.6 mn bbl/d. In April, at an early stage of the pandemic, OPEC and Russia stroke a deal which yielded the biggest oil production cuts in history. The agreement, supported by the US and G20, removed 9.7 mn bbl/d off the world oil market, the equivalent of almost 10% of global supply. Although oil production cuts were gradually unwound throughout the year, as the economies recovered and global oil stocks were being drawn down, the latter remaining above the pre-crisis level. The deep cuts in oil production, especially by Saudi Arabia, left the OPEC surplus crude oil capacity at 6.1 mn bbl/d in 2020, well above the last decade's average of 2.4 mn bbl/d.

Oil prices gyrated strongly in response to the strong market uncertainty. During the first four months of the year alone, Brent prices dropped by 70% in response to oversupply concerns and weakened demand triggered by the pandemic. The decline in oil prices was made worse by the brief oil price war between Saudi Arabia and Russia who initially disagreed over their collective oil production cut strategies.

Saudi Arabia's decision to flood global oil markets deepened the fall in oil prices in the early months of the year. The collapse in demand coupled with the immediate shortage of oil storage even pushed US oil prices for May delivery briefly into negative territory, for the first time in history, to -40 USD/bbl. From May onwards oil prices followed an upward trend, supported by the gradual economic recovery, the oil production cut agreement between OPEC and Russia and, towards the end of the year, by hope for a relatively speedy vaccine rollout. The average Brent oil price fell in 2020 by 34.8% year-on-year to USD 41.8/bbl, while the average Urals price was USD 41.6/bbl, 35.2% lower compared to 2019. The average spread between Brent and Urals oil prices widened to USD 0.26/bbl from USD 0.02/bbl in 2019.

#### Romania – macroeconomic and sector trends

The COVID-19 pandemic put a break in Romania's solid economic performance recorded over the last years. Preliminary data show that Romania's economy contracted by 3.9% in 2020. Although the gross domestic product (GDP) decline was significant, it turned out to be less severe than the EU average. The economic impact of the two-month period of lockdown restrictions enforced from mid-March to mid-May, was asymmetric across various sectors. The shutting down of businesses and limits of mobility initially affected disproportionately the manufacturing sector, hotels and restaurants, entertainment, and retail trade. These impacts were more muted in the second half of the year, when a resurgence in infections was tackled by the authorities with targeted lockdowns and the imposition of an alert state. Despite a partial recovery recorded during the second half of the year, industrial production fell by 9.3% in 2020, the largest drop in recent history. Construction, which represents around 7% of GDP, performed above expectations advancing by 15.9% annually, with construction sites being kept open and work there proceeding at almost full speed even during the lockdown. Demand for IT products and services rose as parts of economic activities moved online, helping the sector to grow by 10.4%. Domestic consumption, which was the main engine of growth over the last decade, fell by 3.4%. Retail sales were resilient and, following the dip during the lockdown period, posted a 2.2% growth for the full year.

The government's response to the pandemic followed the paths adopted by other EU countries. Measures focused primarily on easing the burden of the income loss brought about by the imposed lockdown and on supporting the health care system. The immediate fiscal impulses consisted of additional government spending on medical resources, technical unemployment – which paid 75% of gross wages for furloughed employees – and grants to small and medium enterprises. This made the labor market respond to the crisis

better than initially expected. The unemployment rate initially jumped to 5.5% in July from 2.8% in January, but subsequently fell to 4.9% at the end of the year. Households' purchasing power was also maintained, on average, creating premises for a speedier recovery. Another set of policies focused on deferrals, including payments of taxes to the budget or loans reimbursement moratorium for affected debtors. Other measures aimed at providing liquidity and guarantees to the private sector, via credit lines through domestic banks. The authorities' fiscal space was limited, being constrained by the already existing large budget deficit. Overall, the government's fiscal support to the economy came up to the equivalent of around 4% of GDP, with almost half of it in government guarantees. This was sizably lower than the fiscal backing received by other economies in the region, where it amounted, on average, between two to three times higher.

Macroeconomic imbalances deteriorated further in 2020. Although the current account deficit remained virtually stable as a share in GDP, the additional government spending for pandemic-related measures, the 14% increase in public pensions and the fall in current revenues, together, led to a deepening in the budget deficit to 9.8% of GDP, more than double compared to a year ago. The required additional government borrowing pushed up strongly the public debt to GDP ratio by over 12 percentage points, to 47.7%. Despite this, the perceived country risk diminished gradually throughout the course of the year. Domestic government bond yields fell across all maturities, supported in part by increased global liquidity. Romania's country rating was left at the lowest level of the investment grade following a downward revision in outlook by two of the three main international rating agencies.

**Consumer price inflation** ended the year at 2.1%, influenced by weakened demand and lower commodity prices. The RON/EUR exchange rate was verystable in 2020, given the large uncertainties faced by various economic sectors. After increasing slightly during the first part of the year, the volatility of RON against the EUR dropped off subsequently. The overall level of RON-EUR volatility remained low, compared to other exchange rates in the region. Against the USD, the RON was more volatile, driven largely by the EUR-USD behaviour. On average, in 2020 the RON fell against both the EUR and the USD by 1.9% and 0.1% respectively.

Romania's total **energy supply** responded to the lower demand, decreasing by 10.8% in 2020 to 31.4 mn toe. Both domestic production and imports of coal, oil and natural gas fell substantially. Oil supply went down by 14.9% to 10.2 mn toe, as mobility restrictions triggered by the imposition of

lockdown limited demand for fuel products. Retail fuels turnover sank by 8.0% compared to a year ago. Domestic

natural gas supply decreased by 9.7% to 7.3 mn toe, with gas imports also falling by 20.8% to 1.7 mn toe.

## Business segments' operational performance

### Upstream

#### At a glance <sup>1</sup>

	2020	2019	Δ (%)
Segment sales (RON mn) <sup>2</sup>	6,162	9,541	(35)
Operating Result (RON mn) <sup>3</sup>	(985)	2,589	n.m.
Special items (RON mn)	(992)	(255)	(289)
Clean Operating Result (RON mn)	7	2,845	(100)
Operating Result before depreciation and amortization, impairments and write-ups (RON mn)	2,305	5,342	(57)
Capital expenditures (RON mn) <sup>4</sup>	2,382	3,269	(27)
Exploration expenditures (RON mn)	195	427	(54)
Total Group production (mn boe)	52.98	55.35	(4)
thereof in Romania (mn boe)	50.51	52.97	(5)
Sales volumes (mn boe)	50.33	52.09	(3)
Production costs (OPEX in USD/boe)	10.88	10.90	(0)
Proved reserves as of December 31 (mn boe)	473	504	(6)
thereof in Romania (mn boe)	451	477	(5)

<sup>1</sup> For information about the financial performance of the segment, please refer to the relevant section in the Directors' report on pages 40-52;

<sup>2</sup> Including inter-segment sales;

<sup>3</sup> Excluding intersegmental profit elimination;

<sup>4</sup> Including capitalized exploration and appraisal and acquisitions.

#### HSSE is our first priority

The Lost Time Injury Rate (LTIR) (employees and contractors combined) improved to 0.20, compared with 0.40 in 2019. No work related fatalities occurred in our operations in 2020.

In Upstream, the rollout of Safety Culture Program continued in 2020, adapted to the COVID-19 context. We conducted assessments of safety culture maturity and subsequently defined corresponding action plans. Moreover, OMV Petrom's safety principles were promoted through numerous workshops organized in different business units.

We continued to focus on improving the carbon efficiency of our operations, achieving a 24.3% decrease of the carbon<sup>vii</sup> intensity in 2020 vs. 2019. Our improvement measures included modernization, replacement and/or optimization of gas processing and transportation infrastructure. We continue to act on climate change mitigation by developing projects that contribute to reaching our zero routine flaring and venting objective by latest 2030.

#### Upstream operations in Romania

##### Exploration

In July 2019, NAMR announced a new license round for Romania, comprising 28 oil and gas exploration blocks (22 onshore and six offshore). The official start of the tender process for onshore acreage is awaited in 2021. We have evaluated the offered acreage during 2020 and selected several blocks of interest.

In February, OMV Petrom finalized a large 3D seismic survey of more than 1,500 km<sup>2</sup> in exploration block VIII-Urziceni East together with Hunt Oil Company of Romania S.R.L. as operator. Processing was ongoing during the rest of 2020.

In March, the deep well 4700 Bărbătești was tested in several reservoir zones, but none of the tests including further pressure monitoring resulted in a sustainable commercial flowrate under the revised long-term price assumptions. The 6600 Băicoi well drilled in 2018 was tested in Q4/20; despite initially encouraging flowrates, the proven volumes were too small to be commercial.

<sup>vii</sup> Details will be available in OMV Petrom's Sustainability Report for 2020.

In September, a new exploration well was drilled together with Hunt Oil as operator near the Padina Field in the VIII - Urziceni East block, but it did not find commercial hydrocarbons. OMV Petrom's own exploration wells, which were planned for 2020, have been postponed to 2021/2022 due to the COVID-19 and the oil price crises.

### Production

At the end of 2020, OMV Petrom operated 193 commercial oil and gas fields in Romania (end-2019: 193).

In Romania, OMV Petrom's hydrocarbons production declined by 4.7% compared to 2019 level, to 50.51 mn boe (or 138.0 kboe/d). Crude oil and NGL production declined by 2.8% to 23.38 mn bbl (or 3.25 mn t), while natural gas production declined by 6.2% to 27.13 mn boe (or 4.15 bcm).

Offshore production accounted for 16.4% from OMV Petrom's total hydrocarbons production in Romania (5.4% of the crude oil and NGL production and 25.8% of natural gas production).

Crude oil production based on enhanced oil recovery techniques accounted for 25% of total domestic oil production of OMV Petrom. Heavy oil, representing crude oil with density greater than 900 kg/m<sup>3</sup>, accounted for 36% of total production of crude oil and NGL.

The internal gas consumption for Upstream domestic operations accounted for 9.5% of total gas production (2019: 10.1%).

Natural decline and maintenance activities were the main factors that impacted production in Romania in 2020. Excluding the effect of divestments, production decline stood at 4.5% yoy.

Overall production was supported by the well 4461 Totea South, brought onstream in Q4/19 and by the contribution from new wells and workover activities.

2020 was an active year in terms of routine activities in Upstream, with an average of 97 crews available performing 830 workover jobs and around 4,600 well interventions. All of these led to an MTBF of 810 days, an improvement from 737 days in 2019.

### Key projects

In 2020, drilling activities reached a peak with 10 active rigs in February in the OMV Petrom operated licenses, before being impacted by the COVID-19 pandemic. Despite the pandemic impact and in line with our strategy to support the

increase of the Reserves Replacement Rate, we managed to drill a total of 63 new wells and sidetracks in 2020.

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

The following projects represent some highlights of our **main onshore projects**:

#### ► FRD Independența / Independența Tank Farm

Independența is a mature oil field in production since 1959. The purpose of FRD Independența is to increase production by drilling in previously undeveloped areas with high potential of oil accumulations. Out of the entire FRD scope, Independența Tank Farm is the last project remaining to be completed. In 2020, the project entered the detailed engineering phase.

#### ► FRD Suplac Phase 2 and Suplac Key Infrastructure projects

Main activities for FRD Suplac Phase 2 as well as for one project from the key infrastructure "Drinking Water Treatment Plant" were completed in 2020, while two other projects, "Revamp Tank Farm Suplac" and "Regenerative Thermal Oxidizer", are awaiting commissioning.

The last project from key infrastructure, "Revamp Gas Plant Abrămuț" is under assessment for further investments in the area.

#### ► Totea Deep Compressors Project

Totea Deep Compressors Project was initiated in 2017, having the scope to maximize the recovery factor, by decreasing the abandonment pressure of the field, through the installation of three new electrically driven compressors and their integration in the systems of Park 4540 Totea in Asset Oltenia.

Execute phase began in March 2020, followed by the start of construction activities at the end of July. By the end of the year, main civil works were finalized and major items of equipment were delivered on site.

### Offshore Portfolio

#### ► Petromar Debottlenecking Production Optimization

This new growth project within the offshore program intends to fight the decline by installing additional compression capacity and lowering the wellhead pressure of several existing wells. After conducting a feasibility study, the project was officially kicked off in December 2020.

### ► Rejuvenation Program

Despite the harsh conditions in 2020, this program aimed at improving key process safety and integrity areas progressed with a series of projects, as follows: one project aimed at implementing a redundancy to the control system on the central and another four platforms, three shutdown projects, a new crane replacement project, as well as the replacement of two gas turbines to secure the power supply.

Three new projects started in 2020: the online monitoring project aiming to detect ruptures in piles or main beams, a project to reinforce the subsea steel structure of the Pescăruș platform, and a project to extend the life time certificate for all platforms for another five years.

With around EUR 120 mn invested so far, this program shows our full commitment to the operations in the Black Sea region.

### ► FRD Petromar

The main objective of FRD Petromar is to increase offshore production by developing additional reserves in the Sinoe field and minimizing the development cost by side-tracking existing non-producing wells and upgrading the related facilities. The detail design could be finalized in line with approved strategy. Considering the harsh 2020 economic context, the project team reconsidered the execution strategy and developed an alternative option for the production facility platform number 8. Engineering was kicked off at the end of 2020 and preparation for the FID is ongoing.

### Partnerships

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

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

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

In total, 37 workover jobs were performed by the contractors within the PECs in 2020. The **total production of the PECs** in 2020 amounted to 6.5 kboe/d (2019: 7.3 kboe/d), of which PEC Țicleni 3.8 kboe/d, PEC Turnu 1.0 kboe/d, and PEC Timiș 1.7 kboe/d.

In Q4/20, Expert Petroleum notified OMV Petrom about the early termination of the PEC Timiș. This termination will become effective on January 1, 2023.

In the **Joint Operations Agreement with Hunt Oil** (50% OMV Petrom, 50% Hunt Oil operator), we recorded a production of 1.5 kboe/d (OMV Petrom share) in 2020. The well 2 Padina Nord was put into production in December 2020.

The **total production recorded by PECs and Joint Operations Agreements** in 2020 was 8.0 kboe/d (2019: 8.7 kboe/d), representing 5.8% of the OMV Petrom's total domestic production.

### International Upstream operations

In **Kazakhstan**, OMV Petrom holds development and production licenses for the TOC fields (Tasbulat, Aktas, Turkmenoi) and for the Komsomolskoe field. In 2020, the average oil and gas production in Kazakhstan increased by 4.2% versus 2019, to 2.47 mn boe (6.8 kboe/d), as a result of the increased well intervention and workover activities with a total of 11 workover jobs and 49 well interventions carried out.

In December 2020, OMV Petrom signed the transaction for the sale of its 100% shareholding in Kom-Munai LLP (KOM) and Tasbulat Oil Corporation LLP (TOC) to Magnetic Oil Limited, with closing expected in H1/21.

In August 2020, OMV Petrom completed the transaction for the acquisition of OMV Offshore Bulgaria GmbH and entered the Han-Asparuh exploration block. Han-Asparuh is located in the western Black Sea in **Bulgaria**, south of the Neptun Deep Block in Romania, and has an area of 13,819 km<sup>2</sup> with maximum water depths of over 2,000 m. OMV Petrom holds a 42.86% share in the license, alongside Total (57.14%) who is the operator. Processing of the 5,614 km<sup>2</sup> of 3D seismic data acquired in H1/20 is ongoing towards maturing future drilling candidates.

In June 2020, OMV Petrom was selected as the winner of the open international tender held by the Ministry of Economy and Sustainable Development of **Georgia** for the Offshore Block II. The exploration block covers a total area of 5,282 km<sup>2</sup> and is located on the shelf and within the

economic zone of the Georgian offshore Black Sea. The Production Sharing Contract was signed in March 2021.

### Production in 2020

	Oil and NGL		Natural gas		Total
	mn t	mn bbl	bcm	mn boe	mn boe
Romania	3.25	23.38	4.15	27.13	<b>50.51</b>
Kazakhstan	0.27	2.13	0.06	0.34	<b>2.47</b>
<b>OMV Petrom Group</b>	<b>3.52</b>	<b>25.51</b>	<b>4.21</b>	<b>27.47</b>	<b>52.98</b>

### Proved reserves as of December 31, 2020

	Oil and NGL		Natural gas		Total
	mn t	mn bbl	bcf	mn boe	mn boe
Romania	38.8	279.0	928.7	172.0	<b>451.0</b>
Kazakhstan	2.5	19.8	12.0	2.0	<b>21.8</b>
<b>OMV Petrom Group</b>	<b>41.3</b>	<b>298.8</b>	<b>940.7</b>	<b>174.0</b>	<b>472.8</b>

### Reserve Replacement Rate (RRR)<sup>viii</sup>

As of December 31, 2020, **the total proved oil and gas reserves** in the OMV Petrom Group's portfolio amounted to 473 mn boe (of which 451 mn boe in Romania), while the **proved and probable oil and gas reserves** amounted to 761 mn boe (of which 720 mn boe in Romania).

For the single year 2020, the Group's RRR decreased to 41% (2019: 49%), while in Romania it increased to 48% (2019: 39.5%). The Group's three-year average RRR increased to 44% in 2020 (2019: 42%), and in Romania it increased to 43% (2019: 38%). OMV Petrom was able to increase RRR mainly due to favourable drilling and workover results and new projects.

<sup>viii</sup> Including the effect of the divestments of nine marginal fields in 2019.

## Downstream

### Downstream Oil

#### At a glance <sup>1</sup>

	2020	2019	Δ (%)
Segment sales (RON mn) <sup>2</sup>	13,657	18,346	(26)
Operating Result (RON mn) <sup>3</sup>	1,060	1,475	(28)
Special items (RON mn)	49	(204)	n.m.
CCS effects (RON mn)	(442)	178	n.m.
Clean CCS Operating Result (RON mn) <sup>4</sup>	1,454	1,501	(3)
Operating Result before depreciation and amortization, impairments and write-ups (RON mn)	1,810	2,223	(19)
Capital expenditure (RON mn)	793	818	(3)
Refinery utilization rate (%)	92	97	(5)
Refining input (kt)	4,499	4,727	(5)
Crude oil processed (kt) <sup>5</sup>	4,097	4,306	(5)
Total refined product sales (kt)	4,993	5,462	(9)
thereof: Gasoline (kt)	1,291	1,310	(1)
Diesel (kt)	2,518	2,702	(7)
Kerosene/Jet fuel (kt)	126	289	(56)
Fuel Oils & Bitumen (kt)	329	342	(4)
thereof: Retail sales volumes (kt) <sup>6</sup>	2,619	2,847	(8)

<sup>1</sup> For information about the financial performance of the segment, please refer to the relevant section in the Directors' report on pages 40- 52;

<sup>2</sup> Including inter-segment sales;

<sup>3</sup> Excluding intersegmental profit elimination;

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

<sup>5</sup> Including NGL;

<sup>6</sup> Retail sales volumes refer to sales via Group's filling stations in Romania, Bulgaria, Serbia and Moldova.

#### HSSE is our first priority

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

The LTIR (employees and contractors combined) in Downstream Oil was 0.10, better than the international benchmark.

In 2020, due to the pandemic situation that triggered a lower utilization rate of the refinery with less crude processed, carbon<sup>ix</sup> intensity at the refinery increased by 4.1% versus 2019.

#### Operational performance

The operational performance and energy efficiency of the Petrobrazi refinery remained at competitive levels. In 2020, the OMV Petrom indicator refining margin was USD 2.89/bbl, lower by USD 1.79 /bbl than in 2019, as a result of falling product spreads, mainly gasoline, jet and diesel.

The refinery utilization rate was lower yoy, 92% in 2020 compared to 97% in 2019, reflecting the two weeks planned shutdown in Q3/20 and lower demand following mobility restrictions, but supported by placing more equity products on all our markets while reducing third-party supply.

<sup>ix</sup> Details will be available in OMV Petrom's Sustainability Report for 2020.

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

### Production (kt)

	2020	2019	Δ (%)
Gasoline	1,240	1,302	(5)
Diesel	1,911	1,958	(2)
Kerosene/Jet fuel	77	117	(34)
Fuel Oils	254	281	(10)
LPG total	157	196	(20)
Petroleum coke	274	274	-
Other <sup>1</sup>	264	260	2
<b>Total</b>	<b>4,177</b>	<b>4,388</b>	<b>(5)</b>

<sup>1</sup> Comprises other products as: Propylene, Naphta, Hydrotreated Gasoline, Heavy Gasoline Fraction, Sulphur, etc.

OMV Petrom Group's total refined product sales amounted to 4,993 kt in 2020, representing a 9% decrease compared to 2019, following weaker demand.

Group **retail** sales volumes were 8% lower than in 2019, reaching 2,619 kt, as effect of reduced traffic during the COVID-19 pandemic. In Romania, retail sales reached 2,248 kt in 2020, 6% lower than in 2019. Therefore, in 2020, the average throughput per station in Romania decreased to 4.88 mn liters (2019: 5.27 mn liters), driving the overall decrease of this indicator at the Group level to 4.03 mn liters (2019: 4.43 mn liters).

Retail market share<sup>x</sup> in the operating region stood at 32%, flat versus the previous year, as our sales evolved in line with the market, despite increased competition.

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

In the Petrom-branded filling stations, we have consolidated our "value for money" proposition on fuels, while continuing our efforts to become more appealing to the younger demographic, via specific consumer promotions and capitalizing on the convenience of our offer. Regarding our strategic partnerships, following the successful pilot phase of the cooperation with Auchan, in August 2020 we announced the extension of the partnership for opening approximately

400 MyAuchan proximity stores in the entire Petrom-branded filling stations network. The partnership marks the Petrom brand entrance into a new development stage, to be reflected in the rebranding of the filling stations. The rollout of MyAuchan convenience stores in updated Petrom filling stations reached 25 units at the end of 2020, aiming to cover up to 100 additional units per year. Furthermore, we continued the partnership with Subway in Romania and with KFC in Serbia.

In 2020, the total non-fuel margin at Group level decreased by 14% compared to the previous year, being affected by the mobility restrictions during the pandemic crisis.

In 2020, the **non-retail** business continued to be a strong contributor to the overall OMV Petrom result, despite market challenges posed by the COVID-19 pandemic and the economic slowdown. The commercial bulk sales business continued to perform well, capitalizing on market opportunities for white products (diesel and gasoline). Business development initiatives targeted the sale of marine fuel oil with low sulfur content and of bitumen, while several initiatives for digitalization and operational excellence were developed, with a high focus on customers centricity. Jet fuel sales to the aviation industry were the most affected by lockdowns and mobility restrictions imposed widely across Europe. In this context, our focus was to optimize processes and costs. Overall, group non-retail sales decreased by 9% compared to 2019, mainly due to weaker demand in the context of the pandemic and the steep drop in the aviation

<sup>x</sup> 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);

business. In Romania, non-retail sales were 906 kt, 21% below the previous year's level.

OMV Petrom fuel **prices** have a dynamic evolution based on international fuel quotations, namely Platts Mediterranean, as well as on market competition. In addition, prices are influenced by the fiscal policy and exchange rate. As the volatility of quotations is extremely high and an immediate

reflection in product prices would make the market unstable, OMV Petrom fuel prices only reflect the trend, not the highs or lows.

The **filling stations network** operated within the OMV Petrom Group at the end of 2020 comprised a total of 793 filling stations, same as at the end of 2019.

#### Number of filling stations per country at the end of period

	2020	2019	Δ
Romania	560	556	4
Moldova	77	81	(4)
Bulgaria	93	94	(1)
Serbia	63	62	1
<b>Total</b>	<b>793</b>	<b>793</b>	<b>-</b>

## Downstream Gas

### At a glance <sup>1</sup>

	2020	2019	Δ (%)
Segment sales (RON mn) <sup>2</sup>	6,069	6,978	(13)
Operating Result (RON mn) <sup>3</sup>	1,257	438	187
Special items (RON mn)	539	156	246
Clean Operating Result (RON mn)	718	282	155
Operating Result before depreciation and amortization, impairments and write-ups (RON mn)	849	530	60
Capital expenditure (RON mn)	9	85	(90)
Gas sales volumes (TWh)	57.0	54.8	4
thereof to third parties (TWh)	47.7	47.2	1
thereof to the regulated market (TWh)	7.0	12.5	(44)
Net electrical output (TWh)	4.2	3.4	23

<sup>1</sup> For information about the financial performance of the segment, please refer to the relevant section in the Directors' report on pages 40-52;

<sup>2</sup> Including inter-segment sales;

<sup>3</sup> Excluding intersegmental profit elimination.

### HSSE is our first priority

Though there has been a very difficult year from a medical perspective, in Downstream Gas HSSE is constantly at the top of our minds and always the first priority in any activity we undertake. We have adapted our processes and procedures to keep our employees and contractors healthy and safe and we are proud to once again record a year with no work-related incidents or lost-time injuries.

In 2020, we recorded a lower carbon<sup>xi</sup> intensity level by 0.5% as compared to the 2019 level, in the context of higher net electrical output.

### Operational performance

According to our estimates, national **gas** consumption increased by around 5% in 2020 as compared to 2019, mainly driven by higher offtake by gas fired power plants and the fertilizer industry. Regarding the supply sources, the national consumption was covered by a decreasing Romanian production and a lower share of imports as compared to last year, given the high volumes available in underground storages at the beginning of the year.

2020 was a challenging year for our gas business from the regulatory point of view. In June 2020, the obligation to trade on the centralized markets was replaced with the Gas

Release Program (GRP) introducing for producers the obligation to offer a fixed percentage of their production, in different products (monthly, quarterly, seasonal, annual) with starting prices determined by the market prices recorded in past periods for similar products.

In 2020, on the Romanian centralized markets, the traded gas volumes covering a variety of standard products totaled 50.2 TWh (with delivery until end-2021), at an average price of RON 62/MWh<sup>xii</sup>.

In 2020, our gas sales performance was outstanding. OMV Petrom's total gas sales volumes increased by 4% yoy to 57.03 TWh, historically the largest sales volume since the start of our operations. The uplift is based on 2019 transactions to comply with the regulatory obligations for the regulated and the centralized markets and was supported also by high acquisitions from third parties. The gas sales volume increase is a great achievement, given the challenging market environment in 2020, with prices and margins under pressure due to the competitive and volatile gas market.

Given the legislation in force, in 2020 OMV Petrom supplied the gas regulated market, delivering 7.0 TWh to the

<sup>xi</sup> Details will be available in OMV Petrom's Sustainability Report for 2020;

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

households and district heating for households suppliers, as per the set allocation, at the fixed price of RON 68/MWh.

At the same time, we concluded significant sale transactions on the centralized markets, with a total gas volume of 16 TWh contracted for deliveries until end-2021, at an average price in line with market prices. Some of these transactions were completed within the GRP framework. OMV Petrom fully complied with its obligation.

The foundation for an upward trend in sales is a well-diversified supply portfolio, blending equity gas with a diversified mix of other sources. In addition to mid- and long-term activities, short-term solutions were developed in 2020, all creating a supply portfolio tailored to our needs. Faced with declining equity production, we used acquisitions from third parties to cover all our sales commitments and sustainably preserve our end-user portfolio.

At the end of 2020, OMV Petrom had 2.0 TWh of gas in storage, following successful management of the extraction and injection cycles. Even if the minimum stock obligation is no longer in force, OMV Petrom is committed to ensure security of supply for its entire customer portfolio, therefore optimizing the stored gas volume will always remain one of our objectives.

In 2020, we successfully maintained a leading position on the Romanian gas market, in line with our strategy. Benefiting from our full focus, the end-user portfolio was successfully maintained, proving business robustness and customers' loyalty. This portfolio broadly ranges from leading industrial players to medium-sized and small consumers, to whom we deliver on our promise to ensure security of supply, complemented by our business-friendly approach, competitive terms and professionalism, thus contributing to the resilience of the Romanian economy. Given the challenges of 2020 and the shift in customers' behavior towards the online, we have taken considerable steps towards digitalization, making the contractual relationship easier, faster and simpler for our customers.

While we were fully compliant with all regulations in force, our focus remains to increase our end user customer portfolio.

On the **power** market, as per currently available data from the grid operator, national electricity consumption decreased to 58 TWh in 2020 (2019: 62 TWh). The national electricity production dropped by 6%, to 55 TWh (2019: 59 TWh). In terms of power generation mix in 2020, the significantly lower power production from coal was not fully compensated by the slightly higher production from natural gas. Market coupling continued to play an important role in 2020 in terms

of spot power prices, but also in the context of Romania being a net power importer for the year overall.

The OPCOM spot base load power prices decreased by approximately 20% yoy, averaging RON 191/MWh in 2020 (2019: RON 239/MWh).

2020 was a golden year for our power business. Brazi power plant had the largest contribution to the Downstream Gas segment result since the start of commercial operations in 2012. The record high net electrical output of 4.1 TWh covered a share of 7% (2019: 6%) in the national power generation mix. With the annual planned shutdown completed in October 2020, on time, on budget and with no HSSE incidents, the power plant had a technical availability of 95%.

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.

Capitalizing on the power plant technical capabilities and flexibility, significant additional revenues were obtained also from the balancing and ancillary services markets. Its significant importance for the security and stability of the national energy system was also proved in 2020, given the challenging supply and consumption power profile impacted by the pandemic crisis.

The Brazi power plant had a legal obligation to supply the regulated power market in H2/20 with 0.18 TWh at the price of RON 223/MWh.

2020 was a difficult year, mainly due to the health crisis, the measures taken to contain it, but also due to regulatory changes that brought volatility and unpredictability to the energy markets in particular. Still, this unusual market environment was professionally and promptly managed, innovative ideas were launched to maintain operations in all assets and customer interaction, despite the pandemic constraints. As such, we have demonstrated to our customers and partners our reliability, our unwavering commitment to their success and confirmed our role as a key player in the Romanian energy market, well-positioned for long-term growth and value creation.

# Report of the governing bodies

- 36 Report of the Supervisory Board
- 40 Directors' report
- 53 Corporate governance report
- 63 Corporate governance statement
- 73 Declaration of the management



## Report of the Supervisory Board

Transparency and accountability towards our shareholders is a well-established and deeply entrenched practice that has been implemented in the Company. During a year impacted by the COVID-19 pandemic, the Supervisory Board continued to devote close attention to the Company's strategic focus and business performance in all areas of activity, with special focus on monitoring of the developments of the pandemic and preventive measures implemented to ensure smooth running of activities and to protect the health of employees and customers.

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

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

### Composition of the Supervisory Board

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

At the beginning of 2020, the Supervisory Board consisted of the following members: 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 Nicolae Havrileț as new member in the Supervisory Board for the remaining period of the mandate granted to Sevil Shhaideh. During the same meeting, 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. Therefore, at the end of 2020, the Supervisory Board had the following composition: Rainer Seele (President), Reinhard Florey (Deputy President), Thomas Gangl, Johann Pleininger, Daniel Turnheim, Jochen Weise, Nicolae Havrileț, Radu-Spiridon Cojocaru and Joseph Bernhard Mark Mobius.

### Independence

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

Moreover, for the purpose of preparing this report, the Company reconfirmed with all Supervisory Board members their independent or non-independent status as of December 31, 2020.

Following this evaluation, it resulted that the following Supervisory Board members met during 2020, as well as at the date of this report, all the independence criteria stipulated by the Corporate Governance Code and therefore have an independent status as per such criteria, namely: Jochen Weise, Radu-Spiridon Cojocaru and Joseph Bernhard Mark Mobius.

Information on the independency of the Supervisory Board members is included also on the Company's corporate website.

### Supervisory Board works

In 2020, the Supervisory Board thoroughly reviewed the position and prospects of the Company and accomplished its functions according to the relevant laws, the Articles of Association, the applicable Corporate Governance Code and the relevant internal regulations. The Supervisory Board coordinated with the Executive Board on important management matters, monitored the latter's work and was involved in the Company's key decisions, always following a comprehensive analysis.

During a year governed by the COVID-19 pandemic, the Supervisory Board members did not meet in person, all five meetings being held by audio and video conferences. Moreover, for specific and particularly urgent matters and

projects arising between the scheduled meetings, the Supervisory Board submitted its approval in writing by circulation, without an actual meeting being held, on three other occasions. All members of the Supervisory Board attended, by telephone or video conference, the vast majority of the meetings of the Supervisory Board in 2020. The average participation rate was over 98%. Only in one occasion, a Supervisory Board member was represented by another Supervisory Board member in the meeting.

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

During the meetings, the Executive Board duly provided detailed information, both verbally and in writing, on issues of fundamental importance for the Company, including its financial position, business strategy, planned investments and risk management. Moreover, the Executive Board provided updates to the Supervisory Board on the COVID-19 impact on the Company's performance, presenting an overview on the measures taken both at company and divisional levels and also on the status of the operations.

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

Besides the usual items, proposals and materials that were discussed and submitted for approval of the Ordinary GMS in April 2020, Supervisory Board's main focus during 2020 was, amongst others, the overall development of the Company, the status of the Neptun Deep project and COVID-19 impact on the running of the Company's activities and the measures implemented to ensure the protection of the health of its employees and customers.

In addition to the COVID-19 updates, in the regular reports to the Supervisory Board, the President of the Executive Board focused on topics such as HSSE, energy sector overview and macroeconomic prospects.

#### Self-evaluation of the Supervisory Board

Under the leadership of the President of the Presidential and Nomination Committee, and according to the Guideline in place for this purpose, the Supervisory Board undergoes annually a self-evaluation process aiming to assess and, if necessary, to improve both the efficiency and the

effectiveness of the Supervisory Board's activities, as well as to ensure that the Supervisory Board can fulfil its responsibilities towards shareholders and other stakeholders.

For the 2020 financial year, the Supervisory Board considers its composition to be satisfactory in terms of experience, expertise, qualification, diversity, number of members and presence. Supervisory Board members also value the good collaboration with the Executive Board, the organization and conducting of the Supervisory Board meetings and the quality of the documents provided for such meetings.

#### Audit Committee

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

At the beginning of 2020, the Audit Committee was composed of four members, namely 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 as member of the Supervisory Board (and consequently the cease of the position in the Audit Committee) and the appointment of Niculae Havrileț as member of the Supervisory Board as of 3 March 2020, Niculae Havrileț was also appointed as member of the Audit Committee as of 13 March 2020 and until the expiration of the mandate of the current Supervisory Board, namely until 28 April, 2021.

Therefore, at the end of 2020, including at the date of this report, the Audit Committee has the following composition: Jochen Weise (President - independent), Reinhard Florey (Deputy President), Niculae Havrileț (member) and Radu-Spiridon Cojocaru (member - independent).

The CVs of the current Audit Committee members are available on the Company's corporate website and short presentations are also included in the Corporate Governance Report.

In 2020, the Audit Committee members met three times, one time in person, while the other two meetings were held by audio and video conference. During the meetings, the Audit Committee reviewed and recommended the adoption of the annual financial statements, reviewed the reports on payments to governments, endorsed the Executive Board's proposal regarding the allocation of profits as well as the

proposal regarding the distribution of dividends for the financial year 2019 and recommended to the Supervisory Board and to the Ordinary GMS the reappointment of Ernst & Young Assurance Services SRL (EY) as independent financial auditor for 2020 financial year.

As EY is the independent financial auditor of OMV Petrom Group since 2011, reaching in 2021 the ten years maximum duration provided by the EU Regulation no. 537/2014, in 2019-2020 a public tendering process for the selection of the independent financial auditor for the audit of 2021 individual and consolidated financial statements of OMV Petrom was performed, the selection process being steered by the Audit Committee.

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

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

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

#### **Independent financial auditor**

EY was OMV Petrom Group's independent auditor in 2020. Given that EY's engagements as statutory financial auditor of OMV Petrom Group reaches in 2021 the ten years maximum duration provided by the EU Regulation no. 537/2014, a public tendering process for the selection of the independent financial auditor for the audit of 2021 individual and consolidated financial statements of OMV Petrom was performed. Following the audit tender, the Audit Committee submitted to the Supervisory Board its recommendation consisting in two possible choices for the potential auditor for 2021, with a duly justified preference for one of them. The Supervisory Board proposal, based on the recommendation and in accordance with the preference of the Audit Committee, will be submitted for approval to the next Ordinary GMS to be held on April 27, 2021.

#### **Annual financial statements**

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

Separate financial statements of the Company for the year ended December 31, 2020 are also prepared in accordance with IFRS, as the Ministry of Finance Order no. 2844/2016 stipulates that Romanian listed companies must prepare separate financial statements in accordance with IFRS as endorsed by the European Union, starting with the year ended December 31, 2012.

EY audited the 2020 financial statements, read the annual report and has not identified information which is not consistent in all material respects with the information presented in the financial statements, and issued an unqualified audit opinion.

The financial statements and audit reports for the year ended December 31, 2020, as well as the Executive Board proposal to distribute dividends of RON 0.031 per share (corresponding to a payout ratio of 136% based on the Group's 2020 net profit attributable to stockholders of the parent) were presented to the Supervisory Board for examination in a timely manner. EY attended the relevant meeting of the Audit Committee convened to review the financial statements. The Audit Committee discussed the financial statements with the independent financial auditor and examined them carefully. Moreover, the Audit Committee reported to the Supervisory Board on its examination and recommended the approval of the annual separate and consolidated financial statements, including the management reports for the year ended December 31, 2020 and the Executive Board proposal for allocation of the profit, including distribution of dividends.

The separate and consolidated financial statements were approved in the Supervisory Board meeting of March 17, 2021 in line with the Audit Committee's recommendation and will further be submitted for approval in the Ordinary GMS to be held on April 27, 2021.

Furthermore, following the review by the Audit Committee, the Supervisory Board has approved the reports on payments to governments for the year 2020, prepared in accordance with Chapter 8 of the Annex 1 Ministry of Finance Order no. 2844/2016 for approval of Accounting Regulations according to International Financial Reporting Standards, transposing Chapter 10 of the Accounting Directive (2013/34/EU) of the European Parliament and of the Council.

**Corporate Governance**

The Supervisory Board also approved the 2020 Directors' Report which includes the Corporate Governance Report.

We thank our shareholders for their confidence in OMV Petrom. The Company continued its successful operational path of development in 2020 despite the difficulties caused by the effects of the volatile regulatory environment and of the COVID-19 pandemic.

To this end, the Supervisory Board members would like to express their appreciation to the Executive Board, managers, employees and trade union representatives for their commitment and hard work during 2020. They successfully met the challenges of an unpredictable and

demanding year marked by the COVID-19 pandemic and achieved excellent results. We would also like to show our appreciation to the clients and business partners of OMV Petrom. Thanks to the resilient operational performance and sound financial position in the context of the pandemic, the Supervisory Board is confident that the Company is well positioned to surmount further challenges ahead, take advantage of new opportunities and unlock its full potential in the years to come.

March 17, 2021

Rainer Seele  
President of the Supervisory Board

## Directors' report



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

### OMV Petrom Group financials (RON mn)

	2020	2019	Δ (%)
Sales revenues	19,717	25,485	(23)
Operating Result	1,467	4,245	(65)
Net income	1,291	3,635	(64)
Net income attributable to stockholders	1,291	3,635	(64)
Cash flow from operating activities	5,556	6,803	(18)
Capital expenditures	3,206	4,225	(24)
Employees at the end of period	10,761	12,347	(13)

In 2020, the Group consolidated **sales** of RON 19,717 mn were 23% lower compared to 2019, following negative evolution of the commodity prices and lower sales volumes for petroleum products and electricity.

The Group's **Operating Result** for the year 2020 decreased by 65% to RON 1,467 mn (2019: RON 4,245 mn), driven mainly by the unfavorable market environment, as the lower prices and the COVID-19 crisis had a negative impact on Group's performance, and by the net impairments triggered by the revision of price assumptions. Clean CCS Operating Result, in amount of RON 2,287 mn, lower by 50% yoy, is

stated after eliminating net special charges of RON (425) mn and inventory holding losses of RON (396) mn. The **net result was a profit** of RON 1,291 mn in 2020 (2019: RON 3,635 mn).

The **return on average capital employed<sup>xiii</sup> (ROACE)** reached a value of 4.1% (2019: 12.9%), while Clean CCS ROACE decreased to 6.4% at the end of 2020, from 13.8% at the end of 2019.

**Cash flow from operating activities** amounted to RON 5,556 mn, 18% below the 2019 level, mainly as a

<sup>xiii</sup> For definitions of these ratios please refer to pages 74-76, section "Abbreviations and definitions".

result of lower commodities prices in the current market environment.

**Capital expenditure** amounted to RON 3,206 mn in 2020 and was 24% lower than in 2019.

Due to the significant cash balance at December 31, 2020, OMV Petrom Group reported a **net cash position including leases** of RON 6,486 mn at the end of 2020, up from RON 5,982 mn at the end of 2019.

## Operating Result

Operating Result (RON mn)	2020	2019	Δ (%)
Upstream <sup>1</sup>	(985)	2,589	n.m.
Downstream	2,317	1,913	21
thereof Downstream Oil	1,060	1,475	(28)
thereof Downstream Gas	1,257	438	187
Corporate and Other	(105)	(156)	33
Consolidation: elimination of intercompany profits	240	(102)	n.m.
<b>OMV Petrom Group Operating Result</b>	<b>1,467</b>	<b>4,245</b>	<b>(65)</b>

<sup>1</sup> Excluding intersegmental profit elimination shown in the line "Consolidation"

In **Upstream, Operating Result** declined to RON (985) mn (2019: RON 2,589 mn), mainly due lower oil and gas prices. **Exploration expenses** increased to RON 814 mn in 2020 (2019: RON 238 mn), mainly due to write-off of exploration wells slightly counterbalanced by lower seismic acquisition expenses. Group **production costs** (OPEX) in USD were kept stable at USD 10.88/boe mainly due to ongoing cost optimization, which compensated for the lower production available for sale. In Romania, production costs in USD improved by 1% to USD 10.92/boe, while in RON terms they improved by 1% to RON 46.27/boe. Upstream Operating Result in 2020 also reflected special charges of RON (992) mn, mainly due to net impairments, restructuring charges and reassessment of provisions.

In **Downstream Oil, Operating Result** decreased to RON 1,060 mn in 2020 (2019: RON 1,475 mn), impacted by weaker refining margins, lower volumes sold in the context of the COVID-19 pandemic and the planned shutdown of the refinery in July. The negative effects were offset to a large extent by the positive impact from CO<sub>2</sub> certificates sale, middle distillate margin hedges, good operational performance of our sales channels and strict costs management. In 2020, the OMV Petrom indicator **refining margin** decreased by USD 1.79/bbl to USD 2.89/bbl, as a result of falling product spreads mainly for gasoline, jet and diesel. The **refinery utilization rate** decreased to 92% (2019: 97%) reflecting the two-week planned shutdown in

July and lower demand following mobility restrictions, but supported by placing more equity products on all our markets while reducing third-party supply. Downstream Oil Operating Result reflected also **special items** of RON 49 mn (2019: special charges of RON (204) mn), and **CCS inventory holding losses** of RON (442) mn (2019: gains of RON 178 mn).

In **Downstream Gas, Operating Result** significantly improved to RON 1,257 mn (2019: RON 438 mn) reflecting record-high contribution from the power business, built on power forward contracts, complemented by balancing and ancillary services markets revenues. The gas business reflected a very good end-user portfolio resilience. The result also reflects one off revenues booked in Q2/20 representing the compensation for higher costs incurred in 2019 for the power regulated sales. Downstream Gas Operating Result included also **net special items** of RON 539 mn, mainly from full reversal of impairments for Brazi gas-fired power plant amounting to RON 519 mn before tax, following revision of the long-term power and CO<sub>2</sub> price assumptions (2019: net special items of RON 156 mn).

**Operating Result** in the **Corporate and Other** (Co&O) segment was RON (105) mn (2019: RON (156) mn), as previous year was influenced by higher social sponsorship activities.

### Special items and CCS effect

Special items and CCS effect (RON mn)	2020	2019	Δ (%)
<b>Clean CCS Operating Result</b>	<b>2,287</b>	<b>4,573</b>	<b>(50)</b>
<b>Special items</b>	<b>(425)</b>	<b>(370)</b>	<b>(15)</b>
thereof personnel and restructuring	(110)	(53)	(108)
thereof unscheduled depreciation and write-ups	(331)	-	n.a.
thereof other	16	(317)	n.m.
CCS effect: Inventory holding gains/(losses)	(396)	42	n.m.
<b>OMV Petrom Group Operating Result Group</b>	<b>1,467</b>	<b>4,245</b>	<b>(65)</b>

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

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

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

### Notes to the income statement

Summarized consolidated income statement (RON mn)	2020	2019	Δ (%)
Sales revenues	19,717	25,485	(23)
Other operating income	429	259	66
Net income from equity-accounted investments	4	7	(39)
<b>Total revenues and other income</b>	<b>20,150</b>	<b>25,752</b>	<b>(22)</b>
Purchases (net of inventory variation)	(8,210)	(10,681)	23
Production and operating expenses	(3,489)	(3,470)	(1)
Production and similar taxes	(873)	(1,187)	26
Depreciation, amortization and impairment charges	(2,996)	(3,507)	15
Selling, distribution and administrative expenses	(1,952)	(2,140)	9
Exploration expenses	(814)	(238)	(243)
Other operating expenses	(348)	(284)	(23)
<b>Operating result</b>	<b>1,467</b>	<b>4,245</b>	<b>(65)</b>
Net financial result	12	32	(63)
Taxes on income	(188)	(642)	71
<b>Net income</b>	<b>1,291</b>	<b>3,635</b>	<b>(64)</b>
Less net income attributable to non-controlling interests	0.05	0.09	(44)
<b>Net income attributable to stockholders of the parent</b>	<b>1,291</b>	<b>3,635</b>	<b>(64)</b>

OMV Petrom is an integrated oil and gas company. The hydrocarbons produced by the Upstream segment are processed and marketed mainly by the Downstream segment. Compared to 2019, consolidated sales revenues decreased by 23% to RON 19,717 mn, following negative evolution of the commodity prices and lower sales volumes for petroleum products and electricity. After the elimination of intra-group transactions of RON 5,852 mn, the contribution of the **Upstream** segment representing sales to third parties was RON 310 mn or about 2% of the Group's total sales revenues (2019: RON 481 mn). Sales to external customers in the **Downstream Oil** segment amounted to RON 13,565 mn or 69% of total consolidated sales (2019: RON 18,237 mn). After elimination of intra-group sales, the **Downstream Gas** segment's contribution was RON 5,812 mn or approximately 29% of total sales (2019: RON 6,737 mn).

Sales to external customers are split by geographical areas on the basis of where the risks and benefits are transferred to the customer. Romania and Central and Eastern Europe represent the Group's most important **geographical markets**. Sales in Romania were in an amount of RON 17,067 mn or 87% of the Group's total sales (2019: RON 21,566 mn, 85% of total sales) and sales in the rest of Central and Eastern Europe were RON 2,627 mn or 13% of Group sales (2019: RON 3,849 mn).

**Other operating income** increased to RON 429 mn RON (2019: RON 259 mn) mainly due to sale of CO<sub>2</sub> certificates in Downstream Oil.

**Purchases (net of inventory variation)** which include costs of goods and materials employed amounted to RON 8,210 mn and decreased by 23% yoy mainly as a result of lower purchases of petroleum products from third parties, as well as lower quantities of crude oil processed in the Petrobrazi refinery, partially offshet by higher expenses with natural gas.

**Production and operating expenses** were stable at RON 3,489 mn (2019: RON 3,470 mn).

**Exploration expenses** increased to RON 814 mn (2019: RON 238 mn), mainly due to write-off of exploration wells slightly counterbalanced by lower seismic acquisition expenses.

**Other operating expenses** increased by 23% to RON 348 mn, compared to the 2019 value of RON 284 mn.

**The net financial result** slightly decreased to RON 12 mn in 2020 (2019: RON 32 mn).

**Taxes on income** were in the amount of RON (188) mn (2019: RON (642) mn), mainly driven by the lower profit generated during 2020.

**Capital expenditure (CAPEX)**

<b>OMV Petrom Group Capital expenditure (RON mn)</b>	<b>2020</b>	<b>2019</b>	<b>Δ (%)</b>
Upstream	2,382	3,269	(27)
Downstream	802	903	(11)
thereof Downstream Oil	793	818	(3)
thereof Downstream Gas	9	85	(90)
Corporate and Others	23	53	(56)
<b>Total capital expenditure</b>	<b>3,206</b>	<b>4,225</b>	<b>(24)</b>
+/- Other adjustments <sup>1</sup>	547	589	(7)
- Investments in financial assets	-	(0)	n.a.
<b>Additions according to statement of non-current assets (intangible and tangible assets)</b>	<b>3,753</b>	<b>4,814</b>	<b>(22)</b>
+/- Non-cash changes <sup>2</sup>	(308)	(879)	65
<b>Cash outflow due to investments in intangible and tangible assets</b>	<b>3,445</b>	<b>3,935</b>	<b>(12)</b>
+ Net inflow in relation to sale/investment in subsidiaries, non-current assets and other financial assets	(282)	(379)	26
<b>Net cash used for investing activities</b>	<b>3,163</b>	<b>3,556</b>	<b>(11)</b>

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

<sup>2</sup> Additions are adjusted for items that did not affect cash flows during the period (including acquisitions through leasing, reassessment of decommissioning provisions) and changes of liabilities for investments.

**Capital expenditure** decreased by 24% to RON 3,206 mn (2019: RON 4,225 mn).

Investments in **Upstream** declined by 27% to RON 2,382 mn and represented 74% of total Group CAPEX for 2020. The decline was mainly due to lower development drilling and exploration activities as a response to the current environment, and the recognition in 2019 of assets under IFRS 16 "Leases" for a long-term contract.

**Exploration expenditures** decreased to RON 195 mn (2019: RON 427 mn) due to less onshore drilling activities and less seismic acquisition.

**Downstream** investments amounted to RON 802 mn (2019: RON 903 mn), thereof RON 793 mn in Downstream Oil (2019: RON 818 mn) and RON 9 mn in Downstream Gas (2019: RON 85 mn). In Downstream Oil, investments were performed mostly at Petrobrazi refinery – continuing the investments to increase the bio-blending capacity, securing long-term logistic access through railway lines, modernization and automation projects in the tank farm area and various works performed in the context of the refinery planned shutdown. In 2019, most amounts were routed to retail, to a new terminal in Serbia, as well as to the completion of the closed blowdown system at the Coker unit and for the upgrade of unloading and storage facilities for bio-blending components at the Petrobrazi refinery.

## Statement of financial position

Summarized consolidated statement of financial position (RON mn)	2020	2019	%
<b>Assets</b>			
Non-current assets	34,505	34,933	(1)
Intangible assets and property, plant and equipment	30,614	31,077	(1)
Investments in associated companies	32	27	18
Other non-current assets	2,326	2,338	(1)
Deferred tax assets	1,534	1,491	3
Current assets (incl. Assets held for sale)	13,115	12,563	4
Inventories	2,103	2,464	(15)
Trade receivables	1,258	1,892	(33)
Assets held for sale	861	217	296
Other current assets	8,894	7,989	11
<b>Total assets</b>	<b>47,621</b>	<b>47,495</b>	<b>0</b>
<b>Equity and liabilities</b>			
Total equity	33,071	33,501	(1)
Non-current liabilities	8,844	8,197	8
Provisions for pensions and similar obligations	214	241	(11)
Interest-bearing debts	109	198	(45)
Provisions for decommissioning and restoration obligations	7,272	6,456	13
Provisions and other liabilities	1,249	1,282	(3)
Deferred tax liabilities	-	21	n.a.
Current liabilities (incl. Liabilities associated with assets held for sale)	5,706	5,797	(2)
Trade payables	2,859	3,372	(15)
Interest-bearing debts	175	132	32
Liabilities associated with assets held for sale	413	224	84
Provisions and other liabilities	2,259	2,068	9
<b>Total equity and liabilities</b>	<b>47,621</b>	<b>47,495</b>	<b>0</b>

Compared to December 31, 2019, **total assets** slightly increased by RON 126 mn, to RON 47,621 mn. Additions to intangible assets and property, plant and equipment amounted to RON 3,753 mn (2019: RON 4,814 mn).

Compared to December 31, 2019, **non-current assets** slightly decreased by RON 427 mn, to RON 34,505 mn, mainly due to decrease in intangible assets and property, plant and equipment. The depreciation, the net impairments triggered by revision of price assumptions, and the reclassification of assets to held for sale, exceeded the additions during the period and the increase in decommissioning asset following reassessment. In Upstream, the net impairments triggered by revision of price assumptions, include both write-offs of exploration intangibles and net impairments for tangible assets, while in Downstream Gas, the previously recorded impairments for Brazi gas-fired power plant were fully reversed. Following

the expected sale of the two subsidiaries in Kazakhstan, their assets and liabilities were reclassified in Q4/20 to assets held for sale and liabilities associated with assets held for sale, respectively.

The net increase in **current assets (including assets held for sale)** was mainly due to reclassification of assets to held for sale following the expected sale of subsidiaries in Kazakhstan. In addition, higher financial assets in relation to margin hedges in the refinery and the increase in cash and cash equivalents were offset by lower trade receivables due to lower sales and by lower inventories.

The decrease in **total equity** by RON 430 mn was mainly as result of dividend distribution for the fiscal year 2019, partly offset by the net profit generated in the current period. The Group's equity ratio was 69% as of December 31, 2020, compared with 71% as of December 31, 2019.

As at December 31, 2020, **total liabilities** increased by RON 556 mn compared to the December 31, 2019 value, mainly due to an increase in **non-current liabilities** by RON 647 mn following the reassessment of provisions for decommissioning and restoration obligations, partially diminished by the decrease in **current liabilities** (including liabilities associated with assets held for sale) by

RON 91 mn, largely from lower trade payables following lower acquisitions, partially compensated by higher financial liabilities in relation to margin hedges in the refinery.

OMV Petrom Group reached a **net cash position including leases** of RON 6,486 mn as at December 31, 2020 higher than RON 5,982 mn as at December 31, 2019.

## Cash flow

Summarized consolidated cash-flow statement (RON mn)	2020	2019
<b>Sources of funds</b>	<b>4,592</b>	<b>7,059</b>
Cash flow from operating activities	5,556	6,803
Cash flow from investing activities	(3,163)	(3,556)
<b>Free cash flow</b>	<b>2,393</b>	<b>3,246</b>
Cash flow from financing activities	(1,921)	(1,844)
Effect of exchange rates on cash and cash equivalents	(4)	1
<b>Net increase in cash and cash equivalents</b>	<b>468</b>	<b>1,404</b>
Cash and cash equivalents at beginning of the period	7,014	5,609
<b>Cash and cash equivalents at end of the period</b>	<b>7,451</b>	<b>7,014</b>
<b>Free cash flow after dividends</b>	<b>652</b>	<b>1,730</b>

In 2020, the inflow of funds from profit before tax, adjusted for non-cash items such as depreciation and impairments, net change of provisions and other non-monetary adjustments, as well as net interest received and income tax paid was RON 4,592 mn (2019: RON 7,059 mn). Changes in **net working capital** generated a cash inflow of RON 964 mn (2019: outflow of RON 256 mn). **Cash flow from operating activities** decreased by RON 1,247 mn compared to 2019, reaching RON 5,556 mn, mainly as a result of lower commodities prices in the current market environment.

In 2020, the **cash outflow from investing activities** resulted in an outflow of RON 3,163 mn (2019: RON 3,556 mn) mainly related to payments for investments in intangible assets and property, plant and equipment,

largely in the Upstream segment, counterbalanced to some extent by the partial collection of a receivable in relation to the government grant for Brazi power plant investment.

**Cash flow from financing activities** reflected an outflow of funds amounting to RON 1,921 mn (2019: RON 1,844 mn), mainly arising from the payment of dividends of RON 1,740 mn for the fiscal year 2019.

**Free cash flow** (defined as cash flow from operating activities less cash flow from investing activities) showed an inflow of funds of RON 2,393 mn (2019: RON 3,246 mn).

**Free cash flow less dividend payments** resulted in a cash inflow of RON 652 mn (2019: RON 1,730 mn).

### Risk management

The main purpose of the OMV Petrom's Enterprise-Wide Risk Management (EWRM) process is to deliver value through risk-based management and decision-making. OMV Petrom is constantly enhancing the EWRM process based on internal and external requirements. The process is facilitated by a Group-wide IT system supporting the established individual process steps (risk identification, risk analysis, risk evaluation, risk treatment, reporting, and risk review through continuous monitoring of changes to the risk profile), guided by the ISO 31000 risk management framework.

### Risk management governance

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 approach and objectives throughout the Group.

To ensure that management takes risk-informed decisions, with adequate consideration of actual and prospective information, the Executive Board has empowered a dedicated Risk Management function with the objective to centrally lead and coordinate the Group's risk management-related processes. This department ensures that well-defined and consistent risk management processes, tools, and techniques are applied across the entire organization. Risk ownership is assigned to the managers who are best suited to oversee and manage the respective risk. OMV Petrom's consolidated risk profile is reported twice a year to the Executive Board and to Supervisory Board's Audit Committee.

### Risk management process

As mentioned, the risk management system and its effectiveness are monitored by the Audit Committee of the Supervisory Board via regular reports.

**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 conscious 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 quantitative 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.

The risk management process, implemented through OMV Petrom's EWRM framework, combines **bottom-up and top-down processes**, each employee being responsible for managing the risks within their responsibilities. Paying attention to every risk makes risk management a holistic process.

The risks identified in the **bottom-up** risk process by operational staff during day-to-day business management are assessed against a mid-term time horizon of three years. Risks are identified in the bottom-up process during day-to-day business. Department heads are responsible for initiating the risk analysis, which includes selection of the appropriate risk identification techniques. These include not only interviews, workshops, surveys and analyses of historical losses, but also information on risks documented in risk registers or loss data bases. Heat maps or risk matrices are used to support the assessment process and serve to identify probability ranges and the related consequences if risks were to materialize.

Senior management evaluates **top-down** risks to provide a strategic perspective of risks across a longer time horizon. Permanently scanning the horizon to identify emerging risks and having regular risk meetings, the senior management have the full perspective on strategic risks landscape. This enables capturing new trends and developments of the operating environment and industry best practice, and thereby enables the Group to achieve its long term objectives.

### Risk taxonomy

The Group considers short-, medium-, and long-term risks per the horizons noted below:

- ▶ Short-term risks – risks that may impact near-term financial results, including those that may materialize within the current annual reporting cycle;
- ▶ Medium-term risks – risks that may materially impact our financial results due to longer-term manifestation, including those that may materialize over a three-year timeframe and might impact the Mid-Term Plan;

- ▶ Long-term risks – risks that may fundamentally impact the viability of our long-term strategy and business model, including those that may materialize over a ten-year timeframe.

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

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, analysed, and managed consistently. 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.

To assess **short-term liquidity risk**, the budgeted operating and financial cash inflows and outflows throughout OMV Petrom are monitored and analysed 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.

The risks within OMV Petrom's EWRM system are organized into the following categories: **market and financial, operational, and strategic**.

#### Market and Financial Risks

Regarding 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 Group's risk profile and liquidity. The market price risks of OMV Petrom commodities are closely analysed, quantified, and evaluated. Corresponding optimization and hedging activities are undertaken to mitigate those risks.

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

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

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

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

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. 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. A special focus is given to process safety risks, where OMV Petrom Group's policy is "Zero harm, No losses". 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 analysed, 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



Strategic risk	Details
<b>Political &amp; Regulatory</b>	In relation to political and regulatory risk, the Company is engaging in dialogue with various authorities on national and regional level on topics of relevance for the industry and monitors regulatory developments. In 2020, we saw several fiscal and regulatory initiatives put in discussion and/or implemented. This increases legislative volatility with influence on the overall business environment.
<b>Reserve replacement</b>	The natural decline of our mature oil and gas fields corroborated with a declining demand influence the Reserve Replacement Rate (RRR). The strategy of OMV Petrom Group considers projects intended to improve the RRR.
<b>Cyber threats</b>	The Group IT infrastructure may experience a massive disruption that can lead to the loss of access or the destruction of critical information. Therefore, this critical risk is constantly monitored and the internal IT landscape is upgraded regularly, both proactively and reactively.
<b>Global oil &amp; gas demand</b>	Demand in the oil and gas markets is affected by global factors, which may lead to increased volatility in terms of both prices and volumes. Gas prices may also be impacted by various regional developments, and their volatility also varies.
<b>Human capital</b>	The global trends determine us to consider and change human capital strategy in order to adapt to the market.
<b>Technology &amp; Innovation</b>	The developments in innovation capabilities within the energy sector lead us to increase our efforts in developing new technologies constantly.
<b>Climate change</b>	The OMV Petrom climate change risk management approach is addressed from both perspectives: how climate change affects the Company and how the Company impacts the environment. This is in line with the TCFD recommendations corroborated with the EU Non-Financial Reporting Directive.

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 longer-term 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 (oil and gas market demand volatility, climate change, political and regulatory framework, reserve replacement rate, 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.

**Climate Change Risk Management**

OMV Petrom is the first Romanian company to support the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). OMV Petrom is gradually implementing these recommendations to increase disclosure.

OMV Petrom Executive Board members discuss quarterly the current and upcoming environmental, climate, and energy-related policies and regulations; related

developments in the fuels and gas market; the status of innovation projects implementation; and progress on achieving sustainability-related targets. OMV Petrom focuses on evaluating the potential vulnerabilities of the Group to climate change (e.g., water scarcity, droughts, floods, and landslides), the impact of the Group’s activities on the environment, and the mitigation actions that will ensure the transition to a low-carbon environment (reduction of carbon emissions, compliance with new regulatory requirements).

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, considering a wider range of uncertainty. The most substantive climate-related changes in the oil and gas industry are expected to arise on a longer time scale. Therefore, management pays close attention to climate change-related long-term risks and opportunities and takes these into account in strategic decision-making. In the bottom-up approach, climate-change related risks are identified using the standardized methodology of the EWRM process.

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.

**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 framework consists of the following elements:**

Element	Description
<b>Internal control environment</b>	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.
<b>Assessment of process and compliance risks</b>	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.

<b>Risk mitigation via control activities</b>	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.
<b>Documentation and information</b>	Related duties include the documentation of main processes and procedures containing a description of key control activities performed.
<b>Monitoring and audit</b>	Management and the Internal Audit department evaluate the effective implementation of the internal control system.

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

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

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

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

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

### Outlook 2021

All the below is based on the assumption of no significant lockdowns by year end.

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 regulation.

In accordance with Chapter 8 of the Ministry of Public Finance Order no. 2844/2016 for approval of Accounting Regulations according to International Financial Reporting Standards, transposing Chapter 10 of the Accounting Directive (2013/34/EU) of the European Parliament and of the Council, OMV Petrom management prepared a consolidated report on payments to governments for the year 2020. This report will be published together with the consolidated financial statements of OMV Petrom for the year ended December 31, 2020.

### Subsequent events

Please refer to Note 38 in the Consolidated Financial Statements.

For the full year 2021, OMV Petrom expects **the average Brent oil price** to range between USD 50/bbl and USD 55/bbl.

We expect the **refining margins** to be above USD 4/bbl<sup>xiv</sup>. Also the **demand for oil products** and **power** is expected

<sup>xiv</sup> The budget is based on the assumption of around 5 USD/bbl for refining margins for 2021

to be above the 2020 level, while the **demand for gas** to be broadly similar to 2020.

At **OMV Petrom Group** level, we expect to generate a **positive free cash flow after dividends**. **CAPEX** (including capitalized exploration and appraisal and excluding acquisitions) is currently anticipated to be around RON 2.9 bn. With regards to our **Neptun Deep strategic project**, we outline that we remain keen to see it developed and we expect the Offshore Law to be amended in the first part of 2021, as recently stated by the Romanian authorities.

Within our **partnership with Auchan**, we plan to open up to 100 MyAuchan stores in the upgraded Petrom-branded filling stations.

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

In **Upstream**, we aim to maintain production decline at around 5% vs. 2020, excluding portfolio optimization. We will continue to focus on the most profitable barrels. As such, we expect to close the transfer of 40 marginal fields to Dacian Petroleum and the divestment of Kazakhstan assets to Magnetic Oil Limited in H1/21. We plan investments, excluding acquisitions, of RON 1.8 bn for drilling up to 40 new wells and sidetracks and for performing more than 700 workovers. As to exploration expenditures, the estimated amount for 2021 is around RON 0.2 bn. The planned activities include the drilling of up to two exploration

commitment wells, a new large onshore 3D seismic campaign, seismic data processing towards maturing future drilling candidates in Bulgaria and preparations for an offshore seismic data acquisition campaign in Georgia. As part of our regional expansion endeavors, in addition to the activities mentioned above in Bulgaria, we signed the Production Sharing Contract for the Georgian Offshore Exploration Block II in March 2021. As an operator, OMV Petrom will establish an operating company in Georgia, proceed with geoscientific and environmental studies in 2021 and prepare for a large offshore 3D seismic campaign in 2022, which will allow for a detailed evaluation of this block's potential.

In **Downstream Oil**, the refinery utilization rate is expected to be above 95%, while the total refined product sales are forecasted to be higher compared to 2020.

In **Downstream Gas**, we expect lower gas sales volumes, in part due to regulatory requirements in 2020, and the net electrical output to be higher vs. 2020. Also, a planned shutdown of the Brazi power plant is scheduled in Q2/21.

#### **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 2020 will be published by May 31, 2021.

## 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 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](http://www.omvpetrom.com)) and in the relevant internal regulations and are briefly detailed herein.

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

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

### **Bucharest Stock Exchange Corporate Governance Code**

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

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

### **General Meeting of Shareholders (GMS)**

#### **GMS organization**

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

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

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

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

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

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

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

#### GMS main duties and powers

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

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

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

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

#### Shareholders' rights

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

Shareholders have, among other rights provided under the Company's Articles of Association and the laws and regulations currently in force, the right to obtain information

about the activities of the Company, regarding the exercise of voting rights and the voting results in the GMS.

In addition, shareholders have the right to participate and vote in the GMS, as well as to receive dividends. OMV Petrom observes the one share, one vote, one dividend principle. There are no shares with multiple voting rights, preferential voting rights or maximum voting rights or other voting right restrictions such as non-voting shares without preference, priority shares, golden shares and other voting rights ceilings

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

#### Rights of GDR holders

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

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

- ▶ receive from the GDR depository copies received by the GDR depository of notices provided by the Company to shareholders or other material information.

## Supervisory Board

### Supervisory Board members

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

Herein below is the composition of the Supervisory Board at the end of 2020:

#### Rainer Seele (1960) – President

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

Rainer Seele was appointed as member of OMV Petrom Supervisory Board as of 7 July 2015.

#### Reinhard Florey (1965) – Deputy President

Reinhard Florey graduated with a degree in Mechanical Engineering and Economics from Graz University of Technology while also completing his music studies at the Graz University of Fine Arts. He then started his career in corporate and strategy consulting. Until 2002, he worked for McKinsey & Company, Austria, and from 2002 to 2012 he occupied different management positions worldwide for Thyssen Krupp AG. In January 2013, Reinhard Florey joined Outokumpu OYJ, Finland, first as Executive Vice President Strategy and Integration, and, starting November 2013, as CFO and Deputy CEO. Since July 1, 2016, Reinhard Florey has been the CFO of OMV Aktiengesellschaft.

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

#### Thomas Gangl (1971)

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

Thomas Gangl was appointed as member of OMV Petrom Supervisory Board as of July 1, 2019.

#### Johann Pleininger (1962)

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

Johann Pleininger was appointed as member of OMV Petrom Supervisory Board as of August 10, 2019.

#### Daniel Turnheim (1975)

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

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

#### Niculae Havrileț (1956)

Niculae Havrileț graduated the Technical University Cluj Napoca, Faculty of Mechanical Engineering – Technologies. Niculae Havrileț has 40 years of experience in electricity field and natural gas, including over 25 years of experience in various leading positions. Moreover, Niculae Havrileț holds

large experience in central public administration. From June 2012 to October 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). From February 2018 to November 2019 he acted as a personal advisor to the Minister of Energy for issuing the National Energy Strategy for 2016-2030 up to 2050. As of December 2019, Niculae Havrileț is state secretary within the Ministry of Economy. In 2000, he has received the “Order of the Star of Romania” Knight.

Niculae Havrileț was appointed as member of OMV Petrom Supervisory Board starting March 3, 2020.

**Radu-Spiridon Cojocaru (1947) – independent <sup>xv</sup>**

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

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

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

**Joseph Bernhard Mark Mobius (1936) – independent <sup>xv</sup>**

Mark Mobius earned a bachelor's and master's degrees from Boston University and a Doctor of Philosophy (Ph. D) in Economics and Political Science from the Massachusetts

Institute of Technology. He has spent more than 40 years working in emerging markets all over the world. He joined Franklin Templeton in 1987 as president of Templeton Emerging Markets Fund, Inc. In 1999, he was appointed joint chairman of the Global Corporate Governance Forum Investor Responsibility Taskforce of the World Bank and Organization for Economic Cooperation and Development. Mark Mobius was the Executive Chairman of Templeton Emerging Markets Group, which directed the analysts of Franklin Templeton's 18 emerging market offices and managed the emerging markets' portfolios. After his departure from Franklin Templeton in January 2018, Mark Mobius established a new firm Mobius Capital Partners LLP, as a Co-Founder in March 2018.

Mark Mobius was appointed as member of OMV Petrom Supervisory Board as of 29 April 2010.

**Jochen Weise (1956) – independent <sup>xv</sup>**

Jochen Weise graduated in Law from the University of from Universities of Bochum and 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 to Allianz Capital Partners in London since November 2010. Previously, he was member of the Management Board, between April 2004 and August 2010, Executive Vice President Gas Supply & Trading, between January 2003 to March 2004, at E.ON Ruhrgas AG, and Director Commercial Sales at Deutsche Shell GmbH, between April 1998 and December 2001.

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

**Main duties and powers of the Supervisory Board**

The Supervisory Board has the following main powers:

- ▶ to exercise control over the management of the Company by the Executive Board;
- ▶ to appoint and revoke the members of the Executive Board;
- ▶ to submit to the GMS a report concerning the supervision activity undertaken;
- ▶ to verify the reports of the members of the Executive Board;
- ▶ to verify the Company’s annual separate and consolidated financial statements;

<sup>xv</sup> Independent member as per the criteria of the Bucharest Stock Exchange Corporate Governance Code, criteria which are substantially similar to those provided by Company Law.

- ▶ to 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 2020, as well as the results of the Supervisory Board self-evaluation are included in the Supervisory Board Report.

### Supervisory Board functioning

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

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

### Special committees

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

### Audit Committee

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

During 2020, there was only one change in the membership of the Audit Committee. Following Sevil Shhaideh's revocation as of 3 March 2020 as a member of the Supervisory Board (and consequently the cease of the position in the Audit Committee) and the appointment of

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

Therefore, at the end of 2020 as well as at the date of this report, following this change in the Supervisory Board membership, the Audit Committee has the following composition: Jochen Weise (President - independent), Reinhard Florey (Deputy President), Niculae Havrileț (member) and Radu-Spiridon Cojocaru (member - independent).

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

### Main duties and powers of the Audit Committee

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

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

Details on the Audit Committee works and activities in 2020 are included in the Supervisory Board Report.

### Audit Committee functioning

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 2020, there was only one change in the membership of the Presidential and Nomination Committee. Following Sevil Shhaideh's revocation as of 3 March 2020 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.

Therefore, at the end of 2020 as well as 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).

#### Main duties and powers of the 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;
- ▶ deals and decides on matters concerning the remuneration of the Executive Board members and the content of mandate contracts with Executive Board members;
- ▶ carries out the Supervisory Board self-evaluation and the assessment of independency of Supervisory Board members, under the leadership of the President of the Presidential and Nomination Committee.

#### Presidential and Nomination Committee functioning

The Presidential and Nomination Committee meets on a regular basis, at least once per year, and on an extraordinary basis if required. The Presidential and Nomination 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 Presidential and Nomination Committee shall be validly passed by the affirmative vote of the majority of the members present or represented at the meeting. In the event of parity of votes, the President or the person empowered by him/her to chair the meeting shall have a casting vote. However, the President shall endeavor to achieve that, to the extent possible, resolutions are passed with a consensus among its members.

In urgent cases, the Presidential and Nomination Committee may take decisions also by circular resolution, without an actual meeting being held, by the majority of votes. The President shall decide on whether issues are of an urgent nature.

#### 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 2020, the Executive Board was composed of the following members: Christina Verchere (CEO and President), Alina-Gabriela Popa (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).

The Supervisory Board approved the appointment of Christopher Veit as Executive Board member in charge of

Upstream activity starting with October 1, 2020, following Peter Zeilinger's waiver of his mandate, which became effective on September 30, 2020.

Therefore, at the end of 2020, as well as at the date of this report, the Executive Board has the following composition:

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

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

**Alina Popa (1977)**  
**Chief Financial Officer**

Alina Popa graduated from Bucharest Academy of Economic Studies, Faculty of Accounting and Information Systems and is a member of Association of Chartered Certified Accountants (ACCA) in the UK, Charter Certified Accountants in Romania (CECCAR) and Chamber of Financial Auditors in Romania (CAFR). She started her career with Deloitte Audit Romania and joined OMV Petrom in 2006 having held leadership positions in finance functions and coordinating important cross-functional projects. Between 2015 and 2019, she has been the General Manager and President of the Board of Directors of OMV Petrom Global Solutions, the Shared Service Center of OMV Group. She was appointed Chief Financial Officer and member of the OMV Petrom Executive Board as of April 17, 2019.

**Christopher Veit (1958)**  
**Responsible for Upstream**

Christopher Veit holds a degree in Mechanical Engineering and a Masters degree of Petroleum Engineering of the Mining University at Leoben. He joined OMV Group in 1986 as a Production Engineer. He held various technical and management positions in Libya, Pakistan and Austria such as the Senior Vice President and Managing Director of OMV Austria Exploration & Production GmbH. As of January 2016, he took over the position as Senior Vice-president of Exploration, Development & Production within OMV Exploration & Production GmbH. He also represented OMV in several supervisory boards of its subsidiaries. He is

member of the advisory board of the Department Petroleum Engineering at Mining University Leoben. He was appointed member of the OMV Petrom Executive Board starting October 1, 2020.

**Radu-Sorin Căprău (1974)**  
**Responsible for Downstream Oil**

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

**Franck Albert Neel (1970)**  
**Responsible for Downstream Gas**

Franck Neel studied Energy at the University of Rouen and received an Engineer Degree and then followed a Master of Mechanical Engineering at Cranfield University in United Kingdom. Later on, he earned an Executive Degree from the London Business School. Franck Neel spent 25 years working for the Group Engie. Thus, he started his career at Gaz de France in the engineering department, where he spent seven years, and then moved to the Marketing and Sales with different functions in different countries such as France, Czech Republic, Hungary, Netherlands, Italy and United Kingdom before joining OMV Petrom. He was appointed member of the OMV Petrom Executive Board as of July 1, 2018.

**Main duties and powers of the Executive Board**

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

- ▶ to establish the strategy and policies regarding the development of the Company, including the organizational structure of the Company and the operational divisions;
- ▶ to submit annually for the approval of the GMS, within four months after the end of the financial year, the report regarding the business activity of the Company, the financial statements for the previous year, as well as the business activity and budget projects of the Company for the current year;
- ▶ to conclude legal acts on behalf of and for the account of the Company, with observance of matters reserved to the GMS or to the Supervisory Board;
- ▶ to hire and dismiss, and to establish the duties and responsibilities of the Company's personnel, in line with the Company's overall personnel policy;

- ▶ to undertake all the measures necessary and useful for the management of the Company, implied by the daily management of each division or delegated by the GMS or by the Supervisory Board, with the exception of those reserved to the GMS or to the Supervisory Board through operation of law or of the Articles of Association;
- ▶ to exercise any competence delegated by the Extraordinary GMS.

The Executive Board reports to the Supervisory Board on a regular basis on all relevant issues concerning the course of business, strategy implementation, the risk profile and risk management of the Company.

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

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

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

#### **Executive Board functioning**

The responsibilities of the Executive Board members, as well as the working procedures and the approach to conflicts of interest are governed by the 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 requires 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 2020, the Executive Board met 50 times, either in person or by video conference and passed resolutions by circulation on 8 other occasions in order to approve all matters requiring its approval in accordance with the Articles of Association and the Company's internal regulations, as well as to allow the members of the Executive Board to discuss all significant matters concerning the Company and to inform each other about all relevant issues of their activity.

#### **Women's advancement**

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

OMV Petrom strives for diverse teams and specifically, at management level, aims to increase female representation in Senior Leadership roles to 30% 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 2020 and at the date of this report, there were two women in OMV Petrom's management bodies: Christina Verchere, the CEO and President of the Executive Board and Alina Gabriela Popa, CFO and member of the Executive Board. Moreover, at the end of 2020, 30% 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 24% 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.

### Principles of Remuneration Policy

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 oil and gas sector, 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.

In line with the recent requirements regarding directors' remuneration as per Law no. 24/2017 on issuers of financial instruments and market operations (as amended and supplemented by Law 158/2020), OMV Petrom prepared a Remuneration Policy for the Executive Board and Supervisory Board of OMV Petrom, applicable starting 2021 financial year. The Remuneration Policy was drafted by the Presidential and Nomination Committee, in close cooperation with independent consultants. The Remuneration Policy proposed by the Presidential and Nomination Committee was then approved by the Supervisory Board and afterwards will be put to a vote at the Ordinary GMS on 27 April 2021. Once approved by the Ordinary GMS, the Remuneration Policy will be available in the Corporate Governance section of our corporate website ([www.omvpetrom.com](http://www.omvpetrom.com)).

The Remuneration Policy is aligned with OMV Petrom's long-term strategy, current market practice, as well as OMV Petrom's shareholders' views and interests. It follows OMV Petrom's core principle of pay according to performance.

The implementation of the Policy and the performance outcomes will be set out in the annual Remuneration Report for OMV Petrom's Executive Board and Supervisory Board, which will be prepared starting by reference to financial year 2021.

### Remuneration of the Supervisory Board members

For 2020, the Ordinary GMS 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 2019: EUR 20,000 per year), an additional gross remuneration per meeting corresponding to a net

remuneration of EUR 4,000 for each member of the Audit Committee (for 2019: EUR 4,000 per meeting) and an additional gross remuneration per meeting corresponding to a net remuneration of EUR 2,000 for each member of the Presidential and Nomination Committee (for 2019: EUR 2,000 per meeting).

As at December 31, 2020 and December 31, 2019, there were no loans or advances granted by any of the Group companies to the members of the Supervisory Board. As at December 31, 2020 and December 31, 2019, the Group companies did 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 2020 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 69.40 mn (for 2019: RON 81.51 mn).

The remuneration paid to members of the Executive Board and to the directors reporting to the 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, HSSE and sustainability metrics) in line with company strategy, to align the interests of management and shareholders, including both short- and long- term plans consisting of:
  - ▶ performance bonus program of 1 year
  - ▶ 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 the Romanian law. Reflecting additional responsibilities in other OMV Petrom Group companies, there are employees with an additional employment contract with other entities within OMV Petrom Group.

The remuneration of OMV Petrom employees is at competitive levels for the relevant oil and gas industry and includes: (i) a fixed base remuneration, paid monthly as a net salary determined by applying to the base gross salary the income tax quotas and social contributions, (ii) other fixed payments, such as fixed bonuses and special allowances according to the Collective Labour Agreement,

(iii) other statutory and non-statutory benefits, such as private insurance, holiday indemnity / special days off and, depending on the assigned position, a company car or car compensation fee and (iv) short-term (quarterly and / or annual) performance-related components. The measures/ key performance indicators used are based on financial and non-financial metrics.

Corporate governance statement<sup>xvi</sup>

Provisions of the Bucharest Stock Exchange Corporate Governance Code	Complies	Does not comply or partially complies	Comments
<b>Section A - Responsibilities</b>			
A.1. All companies should have internal regulation of the Board which includes the terms of reference/ responsibilities for the Board and key management functions of the company, applying, among others, the General Principles of this Section.	√		Since April 2007, OMV Petrom has been managed in a two-tier system by an Executive Board, which manages the daily business of the Company under the supervision of the Supervisory Board. The Company's corporate governance structure and principles, as well as the competences and responsibilities of the GMS, the Supervisory Board and the Executive Board are laid down in the Articles of Association, the Rules and Procedures of the GMS, the internal rules of the Supervisory Board and of the Executive Board, and in other relevant internal regulations. The main responsibilities of the Executive Board and Supervisory Board (including its committees), as well as of the GMS are also mentioned in the Annual Report.
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-quotate) and from voting on the adoption of a resolution on the issue which gives rise to such conflict of interest.	√		The members of the Executive Board and the members of the Supervisory Board have, by law, a duty of care and a duty of loyalty to the Company, stated not only in the Company's Articles of Association, but also in other internal regulations. Moreover, the Company has in place internal rules on how to deal with conflicts of interest, when such situations occur, providing for immediate disclosure and refraining from debates/voting on that particular matter.
A.3. The Supervisory Board should have at least five members.	√		The Supervisory Board consists of nine members appointed by the Ordinary GMS, in accordance with the provisions of Company Law and the Company's Articles of Association.
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	√		OMV Petrom's governance follows a two-tier system, with the Executive Board ensuring the management of the Company under the control and supervision of the Supervisory Board. The Supervisory Board comprises nine members who are all non-executives. Therefore, the balance between executives and non-executives is ensured. Upon (re)appointing each Supervisory Board member, the Company conducts an independence evaluation based on the independence criteria provided by the

<sup>xvi</sup> 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](http://www.bvb.ro)

Provisions of the Bucharest Stock Exchange Corporate Governance Code	Complies	Does not comply or partially complies	Comments
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.			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. 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, 2020. Following this evaluation, it resulted that at the date of this report, three Supervisory Board members meet all the independence criteria provided by the Corporate Governance Code. Information on the independence status of the members of the Supervisory Board is included on the Company's corporate website, within the About Us section, Supervisory Board sub-section, and in the Supervisory Board Report.
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.	√		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.
A.6. Any member of the Board should submit to the Board information on any relationship with a shareholder who holds either directly or indirectly, shares representing more than 5% of all voting rights.	√		The members of the Executive Board and the members of the Supervisory Board have, by law, a duty of care and a duty of loyalty to the Company, stated not only in the Company's Articles of Association, but also in other internal regulations. The Company has put in place internal rules on how to deal with conflicts of interest.
A.7. The company should appoint a Board secretary responsible for supporting the work of the Board.	√		The Company has a General Secretary, who supports the works of both the Executive Board and Supervisory Board.
A.8. The corporate governance statement should inform on whether an evaluation of the Board has taken place under the leadership of the chairman or the nomination committee and, if it has, summarize key action points and changes resulting from it. The	√		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.

Provisions of the Bucharest Stock Exchange Corporate Governance Code	Complies	Does not comply or partially complies	Comments
company should have a policy/guidance regarding the evaluation of the Board containing the purpose, criteria and frequency of the evaluation process.			The outcome of the Supervisory Board's self-evaluation for 2020 is presented in the Supervisory Board Report.
A.9. The corporate governance statement should contain information on the number of meetings of the Board and the committees during the past year, attendance by directors (in person and in absentia) and a report of the Board and committees on their activities.	√		The Company's Executive Board meetings are held regularly (at least once every two weeks, but usually every week), while the Supervisory Board meets whenever necessary, but at least once every three months. Details on the number of meetings and attendance at the meetings of the Executive Board and the Supervisory Board, including the Audit Committee and the Presidential and Nomination Committee, during 2020, are included in the Supervisory Board Report and the Corporate Governance Report. The reports of the Supervisory Board and Executive Board for 2020 are included in the Annual Report and submitted for Ordinary GMS's approval.
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.	√		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 the date of this report, three Supervisory Board members meet 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.

Provisions of the Bucharest Stock Exchange Corporate Governance Code	Complies	Does not comply or partially complies	Comments
			<p>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 the date of this report, one member of the Presidential and Nomination Committee is independent and thus, the Company is only "partially compliant" with this provision.</p>
<b>Section B - Risk management and internal control system</b>			
<p>B.1. The Board should set up an audit committee, and at least one member should be an independent non-executive. The majority of members, including the chairman, should have proven an adequate qualification relevant to the functions and responsibilities of the committee. At least one member of the audit committee should have proven adequate auditing or accounting experience. In the case of Premium Tier companies, the audit committee should be composed of at least three members and the majority of the audit committee should be independent.</p>		√	<p>OMV Petrom's Supervisory Board has set up an Audit Committee from among its members. The members of the Audit Committee are therefore all non-executives. The Audit Committee is composed of four Supervisory Board members, out of which only two are independent at the date of this report, the Company being thus only "partially compliant" with this provision. The Audit Committee includes members who have adequate qualifications relevant to the functions and responsibilities of the Audit Committee. In addition, one member has also the necessary financial, auditing and accounting expertise.</p>
<p>B.2. The audit committee should be chaired by an independent non-executive member.</p>		√	<p>As members of the Supervisory Board, all members of the Audit Committee, including the president of the Audit Committee, are non-executives. Based on the independence evaluation, it resulted that at all times during 2020 as well as at the date of this report, the president of the Audit Committee meets all independence criteria provided by the Corporate Governance Code.</p>
<p>B.3. Among its responsibilities, the audit committee should undertake</p>		√	

Provisions of the Bucharest Stock Exchange Corporate Governance Code	Complies	Does not comply or partially complies	Comments
an annual assessment of the system of internal control.			The main roles and functions of the Audit Committee, as detailed in the Terms of Reference for the Audit Committee, consist of the following:
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.	√		<ul style="list-style-type: none"> <li>▶ examining and reviewing the annual separate and consolidated financial statements and the proposal for profit distribution;</li> <li>▶ 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;</li> <li>▶ 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;</li> </ul>
B.5. The audit committee should review conflicts of interests in transactions of the company and its subsidiaries with related parties.	√		<ul style="list-style-type: none"> <li>▶ reviewing conflicts of interests in transactions of the Company and its subsidiaries with related parties;</li> </ul>
B.6. The audit committee should evaluate the efficiency of the internal control system and risk management system.	√		<ul style="list-style-type: none"> <li>▶ evaluating the efficiency of the internal control system and risk management system;</li> <li>▶ monitoring the application of statutory and generally accepted standards of internal auditing;</li> <li>▶ 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;</li> </ul>
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.	√		<ul style="list-style-type: none"> <li>▶ 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 accordance with Related Party Transactions Policy, and observing also the legal provisions in place;</li> <li>▶ 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.</li> </ul>
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.

Provisions of the Bucharest Stock Exchange Corporate Governance Code	Complies	Does not comply or partially complies	Comments
B.9. No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related parties.	√		The Company applies equal treatment to all its shareholders. According to the internal Policy on Related Party Transactions in place within the Company, related party transactions are considered on their merits in accordance with the normal industry standards, applicable laws and corporate regulations.
B.10. The Board should adopt a policy ensuring that any transaction of the company with any of the companies with which it has close relations, that is equal to or more than 5% of the net assets of the company (as stated in the latest financial report), should be approved by the Board following an obligatory opinion of the audit committee and fairly disclosed to the shareholders and potential investors, to the extent that such transactions fall under the category of events subject to disclosure requirements.	√		The Company adopted an internal Policy on Related Party Transactions providing for the main principles of review, approval and disclosure of related party transactions, according to the legal provisions in place 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 must be approved by the Supervisory Board following the approval of the Executive Board and based on the review of the Audit Committee of the respective transaction. OMV Petrom submits reports on significant 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.
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.		√	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. 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

Provisions of the Bucharest Stock Exchange Corporate Governance Code	Complies	Does not comply or partially complies	Comments
			<p>impaired by this reporting structure. Likewise, the Internal Audit Department did not encounter, in its past experiences, cases that could be considered as jeopardizing its independence or objectivity due to these functional reporting lines.</p> <p>The Company is assessing how to fully comply with this provision in the future.</p>
<b>Section C - Fair rewards and motivation</b>			
<p>C.1. The company should publish a remuneration policy on its website and include in its annual report a remuneration statement on the implementation of this policy during the annual period under review.</p> <p>Any essential change of the remuneration policy should be published on the corporate website in a timely fashion.</p>	√		<p>During 2020, as well as at the date this report was prepared, OMV Petrom did not have a formal remuneration policy in place. However, a Remuneration Policy for the Executive Board and Supervisory Board of OMV Petrom, applicable starting 2021 financial year was drafted by the Presidential and Nomination Committee, then approved by the Supervisory Board and will be put to a vote at the Ordinary GMS on 27 April 2021. The Remuneration Policy is aligned with OMV Petrom's long-term strategy, current market practice, as well as OMV Petrom's shareholders' views and interests. It follows OMV Petrom's core principle of pay granted according to performance.</p> <p>Once approved by the OGMS, the Remuneration Policy will be available on the Corporate Governance section of our website (<a href="http://www.omvpetrom.com">www.omvpetrom.com</a>).</p> <p>The implementation of the Policy and the performance outcomes will be set out in the annual Remuneration Report for OMV Petrom's Executive Board and Supervisory Board, which will be prepared starting with financial year 2021.</p>
<b>Section D - Building value through investors' relations</b>			
<p>D.1. The company should have an Investor Relations function - indicated, by person(s) responsible or an organizational unit, to the general public. In addition to information required by legal provisions, the company should include on its corporate website a dedicated Investor Relations section, both in Romanian and English, with all relevant information of interest for investors, including:</p> <p>D.1.1. Principal corporate regulations: the articles of association, general shareholders' meeting procedures.</p> <p>D.1.2. Professional CVs of the</p>	√		<p>The Company has a special department dedicated to investor relations that can be contacted via e-mail at <a href="mailto:investor.relations.petrom@petrom.com">investor.relations.petrom@petrom.com</a>.</p> <p>Likewise, OMV Petrom has a special section of the corporate website dedicated to Investor Relations, where the following main information/documents are available, both in English and Romanian:</p> <ul style="list-style-type: none"> <li>▶ Articles of Association – in the About us section, Corporate Governance sub-section;</li> <li>▶ Rules and Procedures of the GMS – in the About us section, General Meeting of Shareholders sub-section;</li> <li>▶ 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;</li> </ul>

Provisions of the Bucharest Stock Exchange Corporate Governance Code	Complies	Does not comply or partially complies	Comments
<p>members of its governing bodies, Board members' other professional commitments, including executive and non-executive Board positions in companies and not-for-profit institutions;</p> <p>D.1.3. Current reports and periodic reports (quarterly, semi-annual and annual reports);</p> <p>D.1.4. Information related to general meetings of shareholders;</p> <p>D.1.5. Information on corporate events;</p> <p>D.1.6. The name and contact data of a person who should be able to provide relevant information on request;</p> <p>D.1.7. Corporate presentations (e.g. IR presentations, quarterly results presentations etc.), financial statements (quarterly, semi-annual, annual), auditor reports and annual reports.</p>			<ul style="list-style-type: none"> <li>▶ Current reports and periodic reports – in the Investors section, Investor News and Publications sub-sections;</li> <li>▶ Convening notices and supporting materials for the GMS – in the About us section, General Meeting of shareholders sub-section;</li> <li>▶ Financial calendar and information on other corporate events – in the Investors section, Financial Calendar and Events sub-sections;</li> <li>▶ Name and contact information of a person able to provide investors with relevant information on request – in the Investors section, Contact Investor Relations sub-section;</li> <li>▶ 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.</li> </ul>
<p>D.2. A company should have an annual cash distribution or dividend policy. The annual cash distribution or dividend policy principles should be published on the corporate website.</p>	√		<p>The Company's Dividend Policy is published on its corporate website in the Investors section, Shares and GDRs / Dividends sub-section as well as in the About us section, Corporate Governance sub-section.</p>
<p>D.3. A company should have adopted a policy with respect to forecasts, whether they are distributed or not. Forecasts mean the quantified conclusions of studies aimed at determining the total impact of a list of factors related to a future period (so called assumptions): by nature, such a task is based upon a high level of uncertainty, with results sometimes significantly differing from forecasts initially presented. The policy should provide for the frequency, period envisaged, and content of forecasts. Forecasts, if published, may only be part of annual, semi-annual or quarterly</p>	√		<p>The Company has a Forecast Policy which is published on its corporate website in the About us section, Corporate Governance sub-section.</p>

Provisions of the Bucharest Stock Exchange Corporate Governance Code	Complies	Does not comply or partially complies	Comments
reports. The forecast policy should be published on the corporate website.			
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 systems.
D.7. Any professional, consultant, expert or financial analyst may participate in the shareholders' meeting upon prior invitation from the Chairman of the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the Chairman of the Board decides otherwise.	√		The Rules and Procedures of the GMS provide for the possibility for any professional, consultant, expert, financial analyst or accredited journalists to participate in the GMS, upon prior invitation from the President of the Supervisory Board.
D.8. The quarterly and semi-annual financial reports should include information in both Romanian and English regarding the key drivers influencing the change in sales, operating profit, net profit and other relevant financial indicators, both on quarter-on-quarter and year-on-year terms.	√		The quarterly and semi-annual financial reports include information in both Romanian and English regarding the key drivers influencing the change in sales, operating profit, net profit and other relevant financial indicators, both on quarter-on-quarter and year-on-year terms.
D.9. A company should organize at least two meetings/conference calls with analysts and investors	√		OMV Petrom organizes one-to-one meetings and conference calls with financial analysts, investors, brokers and other market specialists to present the

Provisions of the Bucharest Stock Exchange Corporate Governance Code	Complies	Does not comply or partially complies	Comments
<p>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>			<p>financial elements relevant for their investment decision.</p> <p>In 2020, 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, which in the context of the COVID-19 pandemic, were organized mostly online. For more details, please also see the Annual Report's section relating to OMV Petrom on the capital markets. The Investor Presentations were made available at the time of the meetings / conferences on the corporate website, in the Investors section.</p>
<p>D.10. If a company supports various forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers the resulting impact on the innovativeness and competitiveness of the company part of its business mission and development strategy, it should publish the policy guiding its activity in this area.</p>	√		<p>OMV Petrom conducts various activities regarding education, social and environmental responsibility, as well as governance, supporting the local communities in which the Company operates. OMV Petrom concentrates its sustainability efforts on five focus areas: health, safety, security and environment, carbon efficiency, innovation, employees and business principles and social responsibility.</p> <p>More details in relation thereto may be found in the Sustainability Report for 2020, which will be issued by the Company, in accordance with the legal requirements regarding the disclosure of non-financial information.</p>

## Declaration of the management

We confirm to the best of our knowledge that the consolidated financial statements give a true and fair view of the financial position of the Group as of December 31, 2020, its financial performance and cash flows for the year then ended, in accordance with applicable accounting standards, and that the Directors' report gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties associated with the expected development of the Group.

Bucharest, March 17, 2021  
The Executive Board

**Christina Verchere**  
Chief Executive Officer  
President of the EB

**Alina Popa**  
Chief Financial Officer  
Member of the EB

**Christopher Veit**  
Member of the EB  
Upstream

**Franck Neel**  
Member of the EB  
Downstream Gas

**Radu Căprău**  
Member of the EB  
Downstream Oil

## Abbreviations and definitions

ABB	Accelerated Book Building
ANRE	Romanian Energy Regulatory Authority
bbl	barrel(s), i.e. 159 liters
bbl/d	bbl per day
bcf	billion cubic feet; 1 billion standard cubic meters = 35.3147 bcf for Romania or 34.7793 bcf for Kazakhstan
bcm	billion cubic meters
bn	billion
boe, kboe	barrels of oil equivalent, thousand barrels of oil equivalent
boe/d, kboe/d	boe per day, kboe per day
BET	a free float market capitalization weighted index reflecting the performance of the most traded 17 companies on the BSE's regulated market
BSE	Bucharest Stock Exchange
CAPEX	Capital Expenditure
Capital employed	Equity including minorities + net debt
CCS / CCS effects / Inventory holding gains / (losses)	<p>Current cost of supply</p> <p>Inventory holding gains and losses represent the difference between the cost of sales calculated using the current cost of supply and the cost of sales calculated using the weighted average method after adjusting for any changes in valuation allowances, in case the net realizable value of the inventory is lower than its cost.</p> <p>In volatile energy markets, measurement of the costs of petroleum products sold based on historical values (e.g. weighted average cost) can have distorting effect on reported results (Operating Result, Net income etc.).</p> <p>The amount disclosed as CCS effects represents the difference between the charge to the income statement for inventory on a weighted average basis (adjusted for the change in valuation allowances related to realizable value) and the charge based on the current cost of supply.</p> <p>The current cost of supply is calculated monthly using data from our refinery's supply and production systems at Downstream Oil level.</p>
CEO	Chief Executive Officer
CFO	Chief Financial Officer
Clean CCS Operating Result	Operating Result adjusted for special items and CCS effects. Group clean CCS Operating Result is calculated by adding the clean CCS Operating Result of Downstream Oil, the clean Operating Result of the other segments and the reported consolidation effect adjusted for changes in valuation allowances, in case the net realizable value of the inventory is lower than its cost.
Clean CCS net income attributable to stockholders	Net income attributable to stockholders, adjusted for the after tax effect of special items and CCS
Clean CCS ROACE	Clean CCS Return On Average Capital Employed = NOPAT (as a sum of current and last three quarters) adjusted for the after tax effect of special items and CCS, divided by average Capital Employed (on a rolling basis, as an average of last four quarters) (%)
CV	Curriculum Vitae
EB	Executive Board
EPS	Earnings per share = Net income attributable to stockholders divided by weighted number of shares
EU, EUR	European Union, euro(s)
EURIBOR	Euro Interbank Offer Rate – the reference rate for European banks in interbank loans denominated in EUR
FP	Fondul Proprietatea
FRD	Field redevelopment
GDP	Gross Domestic Product
GDR	Global Depositary Receipts

GMS	General Meeting of Shareholders
HSSE	Health, Safety, Security and Environment
HU	Hungary
IE	Ireland
IFRS	International Financial Reporting Standards
ISO	International Organization for Standardization
LPG	Liquefied Petroleum Gas
LSE	London Stock Exchange
LTIR	Lost-time injury rate (employees and contractors). The number of lost time injuries (fatalities and lost workday injuries) per one million hours worked.
m, km	meter(s), kilometer(s)
mn	million
mom	month-on-month
MTBF	mean time between failures
MW; MWh	megawatt(s); megawatt hour(s)
n.a.	not applicable/not available (as the case may be)
n.m.	not meaningful; the deviation is above (±) 500% or the comparison is made between values of opposite signs
NAMR	National Agency for Mineral Resources
Net debt/(cash)	Interest bearing debts and financial lease liabilities less liquid funds (cash and cash equivalents)
NGL	Natural Gas Liquids – it refers to condensate only
NOPAT	Net Operating Profit After Tax. Profit on ordinary activities after taxes plus net interest on net borrowings, +/- result from discontinued operations, +/- tax effect of adjustments
OECD	Organisation for Economic Co-operation and Development
OGMS	Ordinary general meeting of shareholders
OPCOM	The administrator of the Romanian electricity market
OPEC	Organization of Petroleum Exporting Countries
Operating Result	The “Operating result” includes the former indicator EBIT (“Earnings Before Interest and Taxes”) and the net result from equity-accounted investments
Operating Result before depreciation	Former EBITD = Operating Result Before Interest, Taxes, Depreciation and amortization, impairments and write-ups of fixed assets, including reversals
OPEX	Operating Expenses
Q	quarter
ROACE	Return On Average Capital Employed = NOPAT (as a sum of current and last three quarters) divided by average Capital Employed (on a rolling basis, as an average of last four quarters) (%)
ROBOR	Romanian Interbank Offer Rate – the reference rate for Romanian banks in interbank loans denominated in RON
RON	New Romanian leu
RRR	Reserve Replacement Rate
S.A.	Romanian JSC - Joint stock company (Societate pe Acțiuni)
Special items	Special items are expenses and income reflected in the financial statements that are disclosed separately, as they are not part of underlying ordinary business operations. They are being disclosed separately in order to enable investors to better understand and evaluate OMV Petrom Group’s reported financial performance.
t, kt	metric tonne(s), thousand tonnes; 1t of crude oil = 7.193 bbl for Romania or 7.78 bbl for Kazakhstan
TCFD	Task Force on Climate-related Financial Disclosures
TOC	Tasbulat Oil Corporation
TP	Target Price
TWh	terawatt hour(s)
US(A)	United States (of America)

UK	United Kingdom
USD	United States dollar(s)
VAT	Value added tax
yoy	year-on-year



# Consolidated financial statements and notes

- 78 Independent auditor's report
- 88 Consolidated statement of financial position
- 90 Consolidated income statement
- 91 Consolidated statement of comprehensive income
- 92 Consolidated statement of changes in equity
- 93 Consolidated statement of cash flows
- 95 Notes to the consolidated financial statements

# INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the consolidated financial statements of OMV Petrom S.A. ("the Company") and its subsidiaries (together referred to as "the Group") with official head office in 22 Coralilor Street, Petrom City, District 1, Bucharest, Romania identified by sole fiscal registration number RO1590082, which comprise the consolidated statement of financial position as at December 31, 2020 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as endorsed by the European Union.

#### Basis for opinion

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

#### Key audit matters

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

For each matter below, our description of how our audit addressed the matter is provided in that context.

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

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

Key audit matter	How our audit addressed the key audit matter
<p><b>Recoverability of the carrying value of property, plant and equipment (Upstream)</b></p> <p>As at 31 December 2020, the carrying value of the Upstream property, plant and equipment was RON 20,218 million, after a net impairment of RON 346 million recorded in 2020. The impairment mainly relates to oil &amp; gas assets.</p> <p>Under the International Financial Reporting Standards, an entity is required to assess, at least at each reporting date, whether indicators for potential impairment, or reversal of impairment previously recorded, exist and, if they exist, an impairment test is required.</p> <p>The assessment of the recoverability of the carrying amount of property, plant and equipment requires judgement in assessing whether there is an indication of impairment or reversal of a previously recognized impairment, in determining the level at which an asset or cash generating unit should be tested for impairment and in measuring the recoverable amount.</p> <p>An impairment assessment also involves management estimates, the most significant relating to estimates of future cash flows and discount rates, which are used in the evaluation of the recoverability of property, plant and equipment. These future cash flows from oil &amp; gas assets are mainly sensitive to assumptions relating to future oil and gas prices and production volumes.</p> <p>The Group's disclosures about property, plant and equipment and impairment adjustments are included in Note 2 (Judgements, Estimates and Assumptions), Note 7 (Property, Plant and Equipment), Note 23 (Cost information) and Note 28 (Segment information) to the financial statements.</p>	<p>We analysed the management's process for assessing the recoverability of the carrying amount of property, plant and equipment and performed procedures to evaluate the impairment test prepared by the management.</p> <p>Specifically, our work included, but was not limited to, the following procedures:</p> <ul style="list-style-type: none"> <li>▶ Performed a detailed understanding of the Group's internal process and related documentation flow and key controls associated with the impairment testing process;</li> <li>▶ Assessed the determination of cash generating units;</li> <li>▶ Compared the assumptions used in the future cash flow estimates with approved budgets and business plans;</li> <li>▶ Compared production volumes to oil and gas reserves;</li> <li>▶ Compared the future short and long-term oil and gas prices used in the Group's budgets to consensus analysts' forecasts and those adopted by other international oil companies;</li> <li>▶ Assess the consideration of Covid-19-pandemic impact in the cash flow estimates;</li> <li>▶ Assessed the historical accuracy of management's budgets and forecasts (in terms of production volumes and operating costs) by comparing them to actual performance and to prior year;</li> <li>▶ Checked the mathematical accuracy of management's cash flow model for determining the value-in-use and its conformity with the requirements of the International Financial Reporting Standards;</li> <li>▶ Involved our valuation specialists to assist us in the analysis of discount rates and inflation rates;</li> <li>▶ Evaluated the management's sensitivity analysis over key assumptions in the future cash flow model in order to assess the potential impact of possible changes; and</li> <li>▶ Assessed the adequacy of the Group's disclosures in the financial statements.</li> </ul>

Key audit matter	How our audit addressed the key audit matter
<p><b>Recoverability of the carrying value of Brazi gas fired power plant</b></p> <p>The carrying value of Brazi gas fired power plant was RON 1,346 million as at 31 December 2020, after an impairment reversal of RON 519 million recorded in 2020.</p> <p>Under the International Financial Reporting Standards, an entity is required to assess, at least at each reporting date, whether indicators for potential impairment, or reversal of impairment previously recorded, exist and, if they exist, an impairment test is required.</p> <p>The assessment of the recoverability of the carrying amount of Brazi gas fired power plant requires judgement in assessing whether there is an indication that an asset or a cash generating unit should be impaired or an impairment may be reversed and in measuring any such impairment adjustment.</p> <p>An impairment assessment also involves management estimates, the most significant relating to estimates of future cash flows and discount rates, which are used in the evaluation of the recoverability of the carrying value of the Brazi gas fired power plant. These future cash flows are mainly sensitive to assumptions regarding spark spreads (being the differences between the electricity prices and the gas and CO2 certificates prices) and the power quantity produced that are affected by expected future performance and market conditions.</p> <p>The Group's disclosures about intangible assets, property, plant and equipment and related impairment testing are included in Note 2 (Judgements, Estimates and Assumptions), Note 6 (Intangible assets), Note 7 (Property, Plant and Equipment), Note 23 (Cost information) and Note 28 (Segment information) to the financial statements.</p>	<p>We analysed the management's process for assessing recoverability of the Brazi gas fired power plant cash generating unit and performed procedures to evaluate the impairment test prepared by management.</p> <p>Specifically, our work included, but was not limited to the following procedures:</p> <ul style="list-style-type: none"> <li>▶ Performed a detailed understanding of the Group's internal process and related documentation flow and key controls associated with the impairment testing process;</li> <li>▶ Compared the assumptions used within the future cash flow estimates with approved budgets and business plans;</li> <li>▶ Corroborated with supporting evidence the main assumptions included in the determination of value in use;</li> <li>▶ Checked the mathematical accuracy of management's cash flow model for determining the value-in-use and its conformity with the requirements of the International Financial Reporting Standards;</li> <li>▶ Involved our valuation specialists to assist us in the analysis of discount rates and inflation rates;</li> <li>▶ Evaluated the management's sensitivity analysis over key assumptions in the future cash flow model in order to assess the potential impact of a range of possible changes; and</li> <li>▶ Assessed the adequacy of the Group's disclosures in the financial statements.</li> </ul>

Key audit matter	How our audit addressed the key audit matter
<p><b>Recoverability of intangible exploration and evaluation (E&amp;E) assets</b></p> <p>The carrying value of intangible E&amp;E assets was RON 2,685 million at 31 December 2020, after write offs (impairment) of RON 599 million recorded in 2020.</p> <p>Under IFRS 6, Exploration for and Evaluation of Mineral Resources, exploration and evaluation assets shall be assessed for impairment when facts and circumstances suggest that the carrying value of an exploration and evaluation asset may exceed its recoverable amount.</p> <p>The assessment of the carrying value requires management to apply significant judgements and estimates in assessing whether any impairment has arisen at year end, and in quantifying any such impairment.</p> <p>The key estimates and assumptions relate to management's intention to proceed with a future work program for a prospect or license, the likelihood of license renewal, and the success of drilling and geological analysis to date.</p> <p>The Group's disclosures about intangible E&amp;E assets and related impairment testing are included in Note 2 (Judgements, Estimates and Assumptions), Note 6 (Intangible Assets) and Note 23 (Cost information) to the financial statements.</p>	<p>We evaluated management's assessment of the carrying value of E&amp;E assets performed with reference to the criteria of IFRS 6 and the Group's accounting policy.</p> <p>Specifically, our work included, but was not limited to, the following procedures:</p> <ul style="list-style-type: none"> <li>▶ Inquired whether the management has the intention to carry out exploration and evaluation activity for the main E&amp;E projects, which included discussions with senior management as to the intentions and strategy of the Group and reviewed the Executive Board minutes of meetings where exploration plans and strategies were discussed;</li> <li>▶ Read Executive Board minutes of meetings and considered whether there were negative indicators that certain projects might be unsuccessful;</li> <li>▶ Discussed with management about the status of the largest exploration projects;</li> <li>▶ Assessed whether the Group has the ability to finance any planned future exploration and evaluation activity, which included review of the Executive Board minutes of meetings for any indications about the lack of such ability or intention and checking that the investment budget for the next year includes funds for main exploration and evaluation projects;</li> <li>▶ Assessed the existence of any fields where the Group's right to explore is either at, or close to, expiry and reviewed management's assessment whether there are any risks related to renewal of the license;</li> <li>▶ Analysed the management's assumptions where an exploration and evaluation asset has been impaired; and</li> <li>▶ Assessed the adequacy of the Group's disclosures in the financial statements.</li> </ul>

Key audit matter	How our audit addressed the key audit matter
<p><b>Estimation of oil and gas reserves</b></p> <p>Oil and gas reserves are an indicator of the future potential of the Group’s performance. Furthermore, they have an impact on the financial statements as they are the basis for:</p> <ul style="list-style-type: none"> <li>▶ production profiles used in future cash flow estimates;</li> <li>▶ depreciation, amortization and impairment charges for the core assets in the Upstream segment.</li> </ul> <p>The estimation of oil and gas reserves requires significant judgement and assumptions made by management and engineers due to the technical uncertainty in assessing quantities.</p> <p>The Group’s disclosures about estimation of oil and gas reserves are included in Note 2 (Judgements, Estimates and Assumptions) to the financial statements.</p>	<p>Our procedures have focused on management’s estimation process in the determination of oil and gas reserves.</p> <p>Specifically, our work included, but was not limited to, the following procedures:</p> <ul style="list-style-type: none"> <li>▶ Performed a detailed understanding of the Group’s internal process and related documentation flow and key controls associated with the oil and gas reserves estimation process;</li> <li>▶ Tested controls of the oil and gas reserves review process;</li> <li>▶ Analysed the internal certification process for technical and commercial specialists who are responsible for oil and gas reserves estimation;</li> <li>▶ Assessed the competence of both management internal and external specialists and the objectivity and independence of external specialist, to consider whether they were appropriately qualified to carry out the estimation of oil and gas reserves;</li> <li>▶ Analysed the report of the management’s external specialist, on their review of Group’s estimated oil and gas reserves (latest report as at 1 July 2018 for the reserves as of 31 December 2017);</li> <li>▶ Tested whether significant additions or reductions in oil and gas reserves were made in the period in which the new information became available and in compliance with Group’s Reserves and Resources Guidelines;</li> <li>▶ Tested that the updated oil and gas reserve estimates were included appropriately in the Group’s consideration of impairment and in accounting for depreciation and amortization; and</li> <li>▶ Assessed the adequacy of the Group’s disclosures in the financial statements.</li> </ul>

Key audit matter	How our audit addressed the key audit matter
<p><b>Estimation of decommissioning and restoration provisions and environmental provisions</b></p> <p>The total decommissioning and restoration provision and the environmental provision was RON 7,540 million and RON 410 million respectively at 31 December 2020.</p> <p>The Group's core activities regularly lead to obligations related to dismantling and removal, asset retirement and soil remediation activities.</p> <p>The key estimates and assumptions relate to management's estimates of future costs, discount rates and inflation rates which are used to project the decommissioning, restoration and environmental obligations.</p> <p>The Group's disclosures about decommissioning, restoration and environmental obligations are included in Note 2 (Judgements, Estimates and Assumptions) and Note 14 (Provisions) to the financial statements.</p>	<p>We assessed management's annual estimation of provision for decommissioning and restoration obligation and environmental obligation.</p> <p>Specifically, our work included, but was not limited to, the following procedures:</p> <ul style="list-style-type: none"> <li>▶ Performed a detailed understanding of the Group's decommissioning and restoration obligations estimation process and the related documentation flow and the assessment of the design and implementation of the controls within the process;</li> <li>▶ Compared the current estimates of decommissioning, restoration and environmental costs with the actual costs previously incurred. Where no previous data was available, we have reconciled cost estimates to third party evidence or the Group's engineers' estimates;</li> <li>▶ Discussed with the management the estimates of allocation over time of works to be performed for surface and subsurface decommissioning for wells;</li> <li>▶ Inspected supporting evidence for any material revisions in cost estimates during the year;</li> <li>▶ Involved our valuation specialists to assist us in the analysis of discount rates and inflation rates;</li> <li>▶ Tested the mathematical accuracy of decommissioning and restoration provision and environmental provision calculations; and</li> <li>▶ Assessed the adequacy of the Group's disclosures in the financial statements.</li> </ul>

Key audit matter	How our audit addressed the key audit matter
<p><b>Recoverability of receivable from the Romanian State</b></p> <p>As part of the privatization agreement, the Company is entitled to the reimbursement by the Romanian State of part of wells abandonment (decommissioning) and environmental costs incurred to restore and clean up areas pertaining to activities prior to privatization in 2004. Consequently, the Group has recorded as receivable from the Romanian State the corresponding estimated decommissioning obligations having a net present value of RON 2,152 million as at December 31, 2020 and the environmental obligations in Downstream Oil with a total net present value of RON 250 million.</p> <p>The measurement of the receivable from the Romanian State, requires management to make significant judgements and estimates to address the uncertainty around the specific expenditure that is recoverable from Romanian State. The assessment process considers inter alia the history of amounts claimed, documentation process related requirements and potential litigation or arbitration proceedings.</p> <p>The Group's disclosures about environmental and decommissioning state receivable are included in Note 2 (Judgements, Estimates and Assumptions) and in Note 9 (Trade Receivables and Other Financial Assets) to the financial statements.</p>	<p>We assessed management's estimate regarding recoverability of the receivable from the Romanian State.</p> <p>Specifically, our work included, but was not limited to, the following procedures:</p> <ul style="list-style-type: none"> <li>▶ Read the stipulations of the Annex P of the privatization agreement dated 23 July 2004, related to the acquisition by OMV Aktiengesellschaft of shares in the National Petroleum Company Petrom SA, as approved by Law no. 555/2004. Annex P includes stipulations related to the obligation of the seller (i.e. Ministry of Economy and Commerce) to reimburse the Company for historical environmental losses and abandonment costs, provided certain conditions are met;</li> <li>▶ Analysed the management's assessment of the recoverability of the receivable from the Romanian State, including the history of amounts claimed vs. amounts accepted and reimbursed, and discussed with management about the status of the notices of claims submitted to the Romanian State and of the Arbitration process;</li> <li>▶ Obtained and read the independent lawyers' assessment of the status of the Arbitration, that was considered by the Group for the measurement of the State Receivable;</li> <li>▶ Traced the receivables for which notices of claim have been submitted to the respective notices of claims;</li> <li>▶ Traced the receivables for which decommissioning was performed but the notices of claim have not yet been submitted to the respective decommissioning costs;</li> <li>▶ Traced the receivables for which decommissioning has not yet been performed against the respective decommissioning provisions;</li> <li>▶ Discussed with the management estimates of timing of collection;</li> <li>▶ Involved our valuation specialists to assist us in the analysis of discount rates and inflation rates</li> <li>▶ Tested the mathematical accuracy of the calculation of the net present value of the receivables recorded; and</li> <li>▶ Assessed the adequacy of the Group's disclosures in the financial statements.</li> </ul>

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

## Other information

Other information consists of the information included in the Group's 2020 Annual Report which includes the Report of the Supervisory Board, the Directors' Report and the consolidated Report on payments to governments and also the Sustainability report, but does not include the consolidated financial statements and our auditor's report thereon. We obtained the Annual report (except for the Report of the Supervisory Board), prior to the issuance of our auditor's report, and we expect to obtain the Report of the Supervisory Board and the Sustainability report after the issuance of our auditor's report. Management is responsible for the other information.

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

## Report on Other Legal and Regulatory Requirements

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

In addition to our reporting responsibilities according to ISAs described in section "Other information", with respect to the Director's Report, as included in the Annual Report, we have read the Directors' Report and report that:

- a) in the Directors' Report we have not identified information which is not consistent, in all material respects, with the information presented in the accompanying consolidated financial statements as at December 31, 2020;
- b) the Directors' Report identified above includes, in all material respects, the required information according to the provisions of the Ministry of Public Finance Order no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications, Annex 1 points 15 – 19;

- c) based on our knowledge and understanding concerning the Group and its environment gained during our audit of the consolidated financial statements as at December 31, 2020, we have not identified information included in the Directors' Report that contains a material misstatement of fact.

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

#### **Appointment and Approval of Auditor**

We were appointed as auditors of the Group by the General Meeting of Shareholders on April 27, 2020 to audit the consolidated financial statements for the financial year end December 31, 2020. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 10 years covering the financial periods end December 31, 2011 till December 31, 2020.

#### **Consistency with Additional Report to the Audit Committee**

Our audit opinion on the consolidated financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on February 3, 2021.

#### **Provision of Non-audit Services**

No prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Group and we remain independent from the Group in conducting the audit. In addition to statutory audit services and services disclosed in the notes to the consolidated financial statements, no other services were provided by us to the Company, and its controlled undertakings.

On behalf of,

#### **Ernst & Young Assurance Services SRL**

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

Registered in the electronic Public Register under No. FA77

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

Bucharest, Romania  
17 March 2021

# OMV PETROM S.A. AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### AS OF DECEMBER 31, 2020

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

	Notes	December 31, 2020	December 31, 2019
<b>ASSETS</b>			
Intangible assets	6	2,811.51	3,132.01
Property, plant and equipment	7	27,802.20	27,944.72
Investments in associated companies	8	31.68	26.94
Other financial assets	9	2,092.96	2,122.57
Other assets	10	233.28	215.47
Deferred tax assets	18	1,533.74	1,490.93
<b>Non-current assets</b>		<b>34,505.37</b>	<b>34,932.64</b>
Inventories	11	2,102.90	2,464.45
Trade receivables	9	1,258.13	1,891.86
Other financial assets	9	1,213.11	486.10
Other assets	10	229.77	489.44
Cash and cash equivalents		7,450.64	7,013.54
<b>Current assets</b>		<b>12,254.55</b>	<b>12,345.39</b>
Assets held for sale	12	860.90	217.20
<b>Total assets</b>		<b>47,620.82</b>	<b>47,495.23</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	13	5,664.41	5,664.41
Reserves		27,406.22	27,836.45
<b>Stockholders' equity</b>		<b>33,070.63</b>	<b>33,500.86</b>
Non-controlling interests		0.50	0.51
<b>Total equity</b>		<b>33,071.13</b>	<b>33,501.37</b>
Provisions for pensions and similar obligations	14	213.69	240.70
Interest-bearing debts	15	108.94	197.88
Lease liabilities	7, 16	543.06	572.15
Provisions for decommissioning and restoration obligations	14	7,272.42	6,456.08
Other provisions	14	645.12	588.87
Other financial liabilities	16	46.87	106.82
Other liabilities	17	14.09	13.89
Deferred tax liabilities	18	-	20.91
<b>Non-current liabilities</b>		<b>8,844.19</b>	<b>8,197.30</b>

	Notes	December 31, 2020	December 31, 2019
Trade payables	16	2,858.64	3,372.35
Interest-bearing debts	15	175.03	132.25
Lease liabilities	7, 16	137.33	128.79
Income tax liabilities		43.60	205.21
Other provisions and decommissioning	14	516.87	623.31
Other financial liabilities	16	802.61	372.54
Other liabilities	17	758.74	738.36
<b>Current liabilities</b>		<b>5,292.82</b>	<b>5,572.81</b>
Liabilities associated with assets held for sale	12	412.68	223.75
<b>Total equity and liabilities</b>		<b>47,620.82</b>	<b>47,495.23</b>

These consolidated financial statements were approved on March 17, 2021.

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Christina Verchere,  
Chief Executive Officer  
President of the EB

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Alina Popa,  
Chief Financial Officer  
Member of the EB

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Christopher Veit,  
Member of the EB  
Upstream

\_\_\_\_\_  
Franck Neel,  
Member of the EB  
Downstream Gas

\_\_\_\_\_  
Radu Căprău,  
Member of the EB  
Downstream Oil

\_\_\_\_\_  
Irina Dobre,  
Vice President Finance Department

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Nicoleta Drumea,  
Head of Financial Reporting

# OMV PETROM S.A. AND SUBSIDIARIES

## CONSOLIDATED INCOME STATEMENT

### FOR THE YEAR ENDED DECEMBER 31, 2020

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

	Notes	2020	2019
Sales revenues	19, 28	19,716.98	25,485.47
Other operating income	20	428.95	258.77
Net income from investments in associates	21	4.47	7.36
<b>Total revenues and other income</b>		<b>20,150.40</b>	<b>25,751.60</b>
Purchases (net of inventory variation)		(8,209.70)	(10,680.68)
Production and operating expenses		(3,488.97)	(3,469.59)
Production and similar taxes		(873.30)	(1,187.33)
Depreciation, amortization, impairments and write-ups	23	(2,996.06)	(3,506.70)
Selling, distribution and administrative expenses		(1,952.35)	(2,140.17)
Exploration expenses		(814.47)	(237.66)
Other operating expenses	22	(348.46)	(284.41)
<b>Operating result</b>	<b>28</b>	<b>1,467.09</b>	<b>4,245.06</b>
Interest income	24	337.33	317.63
Interest expenses	24	(295.44)	(276.98)
Other financial income and expenses	25	(30.28)	(8.91)
<b>Net financial result</b>		<b>11.61</b>	<b>31.74</b>
<b>Profit before tax</b>		<b>1,478.70</b>	<b>4,276.80</b>
Taxes on income	26	(187.69)	(642.12)
<b>Net income for the year</b>		<b>1,291.01</b>	<b>3,634.68</b>
thereof attributable to stockholders of the parent		1,290.96	3,634.59
thereof attributable to non-controlling interests		0.05	0.09
<b>Basic and diluted earnings per share (RON)</b>	<b>27</b>	<b>0.0228</b>	<b>0.0642</b>

These consolidated financial statements were approved on March 17, 2021.

\_\_\_\_\_  
Christina Verchere,  
Chief Executive Officer  
President of the EB

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Alina Popa,  
Chief Financial Officer  
Member of the EB

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Christopher Veit,  
Member of the EB  
Upstream

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Franck Neel,  
Member of the EB  
Downstream Gas

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Radu Căprău,  
Member of the EB  
Downstream Oil

\_\_\_\_\_  
Irina Dobre,  
Vice President Finance Department

\_\_\_\_\_  
Nicoleta Drumea,  
Head of Financial Reporting

# OMV PETROM S.A. AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### FOR THE YEAR ENDED DECEMBER 31, 2020

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

	2020	2019
<b>Net income for the year</b>	<b>1,291.01</b>	<b>3,634.68</b>
Exchange differences from translation of foreign operations	(2.63)	26.69
Gains/(losses) on hedges arising during the year	467.80	24.69
Reclassification of (gains)/losses on hedges to income statement	(371.31)	3.26
<b>Total of items that may be reclassified ("recycled") subsequently to the income statement</b>	<b>93.86</b>	<b>54.64</b>
Remeasurement gains/(losses) on defined benefit plans	(11.45)	(25.61)
Gains/(losses) on hedges that are subsequently transferred to the carrying amount of the hedged item	(134.60)	-
<b>Total of items that will not be reclassified ("recycled") subsequently to the income statement</b>	<b>(146.05)</b>	<b>(25.61)</b>
Income tax relating to items that may be reclassified ("recycled") subsequently to the income statement	(15.07)	(5.10)
Income tax relating to items that will not be reclassified ("recycled") subsequently to the income statement	23.37	4.11
<b>Total income tax relating to components of other comprehensive income</b>	<b>8.30</b>	<b>(0.99)</b>
<b>Other comprehensive income/(loss) for the year, net of tax</b>	<b>(43.89)</b>	<b>28.04</b>
<b>Total comprehensive income for the year</b>	<b>1,247.12</b>	<b>3,662.72</b>
thereof attributable to stockholders of the parent	1,247.06	3,662.62
thereof attributable to non-controlling interests	0.06	0.10

## OMV PETROM S.A. AND SUBSIDIARIES

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

#### FOR THE YEAR ENDED DECEMBER 31, 2020

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

#### Consolidated statement of changes in equity for the year ended December 31, 2020

	Share capital	Revenue reserves	Cash flow hedge reserve	Foreign currency translation reserve	Other reserves	Treasury shares	Stockholders' equity	Non-controlling interests	Total equity
<b>Balance at January 1, 2020</b>	<b>5,664.41</b>	<b>27,736.81</b>	<b>27.70</b>	<b>(168.52)</b>	<b>240.48</b>	<b>(0.02)</b>	<b>33,500.86</b>	<b>0.51</b>	<b>33,501.37</b>
Net income for the year	-	1,290.96	-	-	-	-	1,290.96	0.05	<b>1,291.01</b>
Other comprehensive income/(loss) for the year	-	(9.62)	(32.01)	(0.31)	(1.96)	-	(43.90)	0.01	<b>(43.89)</b>
<b>Total comprehensive income/(loss) for the year</b>	<b>-</b>	<b>1,281.34</b>	<b>(32.01)</b>	<b>(0.31)</b>	<b>(1.96)</b>	<b>-</b>	<b>1,247.06</b>	<b>0.06</b>	<b>1,247.12</b>
Dividends distribution	-	(1,755.96)	-	-	-	-	(1,755.96)	(0.07)	<b>(1,756.03)</b>
Reclassification of cash flow hedges to balance sheet	-	-	78.67	-	-	-	78.67	-	<b>78.67</b>
<b>Balance at December 31, 2020</b>	<b>5,664.41</b>	<b>27,262.19</b>	<b>74.36</b>	<b>(168.83)</b>	<b>238.52</b>	<b>(0.02)</b>	<b>33,070.63</b>	<b>0.50</b>	<b>33,071.13</b>

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

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

For details on equity components, see Note 13.

# OMV PETROM S.A. AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CASH FLOWS

### FOR THE YEAR ENDED DECEMBER 31, 2020

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

	Notes	2020	2019
<b>Profit before tax</b>		<b>1,478.70</b>	<b>4,276.80</b>
Interest income	24	(265.14)	(224.95)
Interest expenses and other financial expenses	24, 25	27.44	29.07
Net movement in provisions and allowances for:			
- Inventories		15.28	1.27
- Receivables and other assets		(38.82)	(34.51)
- Pensions and similar liabilities		(38.79)	4.11
- Decommissioning and restoration obligations		74.82	6.78
- Other provisions for risk and charges		35.35	230.40
Income from associated companies	8	(4.47)	(7.23)
Gain on transfer of business	32	-	(51.77)
Net gains on the disposal of non-current assets	20, 22	(41.25)	(25.44)
Depreciation, amortization and impairments including write-ups		3,677.85	3,637.67
Other non-monetary adjustments	32	(94.60)	(213.92)
Interest received		189.26	171.69
Interest and other financial costs paid		(22.54)	(20.73)
Tax on profit paid		(401.24)	(720.58)
<b>Cash generated from operating activities before working capital movements</b>		<b>4,591.85</b>	<b>7,058.66</b>
(Increase)/decrease in inventories		297.09	(326.56)
(Increase)/decrease in receivables and other assets		798.20	(192.55)
Increase/(decrease) in liabilities		(131.41)	262.97
<b>Cash flow from operating activities</b>		<b>5,555.73</b>	<b>6,802.52</b>

	Notes	2020	2019
<b>Investments</b>			
Intangible assets and property, plant and equipment		(3,445.27)	(3,935.26)
Investments and other financial assets	32	-	38.19
<b>Disposals</b>			
Proceeds in relation to non-current assets	32	210.50	262.24
Proceeds from transfer of business	32	-	78.58
Proceeds from sale of subsidiaries	32	71.59	-
<b>Cash flow from investing activities</b>		<b>(3,163.18)</b>	<b>(3,556.25)</b>
Net repayments of borrowings	32	(180.56)	(327.65)
Dividends paid		(1,740.38)	(1,515.89)
<b>Cash flow from financing activities</b>		<b>(1,920.94)</b>	<b>(1,843.54)</b>
Effect of foreign exchange rate changes on cash and cash equivalents		(3.93)	1.38
<b>Net increase in cash and cash equivalents</b>		<b>467.68</b>	<b>1,404.11</b>
Cash and cash equivalents at the beginning of the year		7,013.54	5,609.43
Cash and cash equivalents at the end of the year		7,481.22	7,013.54
Thereof cash disclosed within assets held for sale		30.58	-
<b>Cash and cash equivalents presented in the consolidated statement of financial position</b>		<b>7,450.64</b>	<b>7,013.54</b>

# OMV PETROM S.A. AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2020

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

## 1. LEGAL PRINCIPLES AND BASIS OF PREPARATION

OMV Petrom S.A. (22 Coralilor Street, 013329 Bucharest, Romania), has activities in Upstream, Downstream Oil and Downstream Gas business segments and it is listed on Bucharest Stock Exchange under “SNP” code and on London Stock Exchange under “PETB” and “PETR” codes.

### Stockholders' structure as at December 31, 2020 and 2019

	Percent 2020	Percent 2019
OMV Aktiengesellschaft	51.011%	51.011%
Romanian State	20.639%	20.639%
Fondul Proprietatea S.A.	6.997%	9.998%
Legal entities and private individuals	21.353%	18.352%
<b>Total</b>	<b>100.000%</b>	<b>100.000%</b>

As of December 31, 2020 the number of Global Depositary Receipts (GDRs) was 181,611, equivalent of 27,241,650 ordinary shares, representing 0.048% of the share capital.

As of December 31, 2019 the number of GDRs was 182,780, equivalent of 27,417,000 ordinary shares, representing 0.048% of the share capital.

### Statement of compliance

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

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

The financial year corresponds to the calendar year.

### Basis of preparation

The consolidated financial statements of OMV Petrom Group, hereinafter referred to also as “the Group”, are presented in RON (“Romanian Leu”), using going concern principles. All values are presented in millions, rounded to the nearest two decimals. The consolidated financial statements have been prepared on the historical cost basis, except for certain items that have been measured at fair value as described in Note 4 Accounting and valuation principles. For financial assets and liabilities where fair value differs from carrying amounts at the reporting date, fair values have been disclosed in Note 33.

## 2. JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

Changes in estimates are accounted for prospectively.

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

### Estimates and assumptions

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

#### a) Oil and gas reserves

Mineral reserves (oil and gas reserves) are estimated by OMV Petrom Group's own engineers in accordance with international and industry agreed standards based on the availability of geological and engineering data, reservoir performance data, drilling of new wells and commodity prices. The estimates are audited externally periodically (usually every two years). The last external audit for oil and gas reserves was performed in 2018. Commercial reserves are determined using estimates of hydrocarbons in place, recovery factors and future oil and gas prices.

The oil and gas assets are depreciated on a unit of production basis at a rate calculated by reference to either total proved or proved developed reserves (please refer to Depreciation, amortization and depletion accounting policy below), determined as presented above. The carrying amount of oil and gas assets at December 31, 2020 is shown in Notes 6 and 7.

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

## b) Decommissioning costs

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

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

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

Provisions for decommissioning and restoration costs require estimates of discount rates and inflation rates. These estimates have a material effect on the amount of the provisions (see Note 14).

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

## c) Impairment of non-financial assets

The Group assesses each asset or cash generating unit (CGU) at each reporting period to determine whether any indication of impairment exists. When an indicator exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. Except for the assets whose carrying amount will be recovered through a sale transaction rather than through continuing use, for all impairment tests performed, the recoverable amount was based on value in use. The assessments require the use of different estimates and assumptions depending on the business such as crude oil prices, discount rates, reserves, growth rates, gross margins and spark spreads. The key estimates and assumptions used bear the risk of change due to the inherent volatile nature of various macro-economic factors and the uncertainty in asset or CGU specific factors like reserve volumes and production profiles, which can impact the recoverable amount of assets and/or CGUs.

### Impairment testing in Upstream

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

In 2020, OMV Petrom Group updated its mid-term plan and revised its long-term planning assumptions to reflect changes in the market environment. In addition, the short-term oil price assumption were updated in order to reflect the significant decrease in oil prices in 2020.

The nominal oil price assumptions and the RON/USD exchange rates are listed below:

Oil price assumptions in 2020	2021	2022	2023	2024	2025
Brent oil price (USD/bbl)	50	60	60	65	65
RON/USD exchange rate	4.30	4.30	4.30	4.30	4.30
Brent oil price (RON/bbl)	215	258	258	280	280

Oil price assumptions in 2019	2020	2021	2022	2023	2024
Brent oil price (USD/bbl)	60	70	70	75	75
RON/USD exchange rate	4.22	4.22	4.22	4.22	4.22
Brent oil price (RON/bbl)	253	295	295	316	316

For the years 2026 until 2029, OMV Petrom Group assumed a Brent oil price of USD 65/bbl which is expected to gradually decline to USD 60/bbl until 2035. From 2035 onwards, OMV Petrom Group applied a Brent oil price of USD 60/bbl. All before mentioned assumptions for the years after 2025 are based on 2025 real terms.

The assumptions used for oil prices for short and medium term are based on management's best estimate and were consistent with external sources. The long-term assumptions were consistent with data provided by external studies and consider long-term views of global supply and demand.

The above revisions led to impairments (net of write-ups) in Romania of RON 346.37 million before tax and write-offs of exploration intangibles of RON 599.09 million before tax. The recoverable amounts of impaired assets or for which a reversal of impairment was booked amounted to RON 2,730.42 million. The after-tax discount rate used was 9.7%. The recoverable amount was based on the value in use.

An increase of 1 percentage point in the after-tax discount rates would lead to an additional after-tax impairment of approximately RON 150 million. Furthermore, a Brent oil price decrease of USD 10/bbl per year would lead to an additional after-tax impairment of approximately RON 2.5 billion.

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

#### Impairment testing in Downstream

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

In 2020 and 2019, based on management estimations it was concluded that there were no triggering indicators for performing an impairment test in Downstream Oil.

In the Downstream Gas business, besides discount rates, the main valuation assumptions for the calculation of the recoverable amounts are the spark spreads (being the differences between the electricity prices and the cost of gas and cost of CO2 certificates) and net electrical output for the power plant. The assumptions used for prices are based on management's best estimate, considering specifics of local market as well as the correlation between the local and regional markets.

In 2020, the long-term power and CO2 price assumptions were revised taking into account the improved power generation market, favoring gas fired power plants as compared with coal fired power plants. This led to the full reversal of impairments for Brazi gas fired power plant, in amount of RON 518.65 million before tax based on an after-tax discount rate of 4.26%.

An increase of 1 percentage point in the after-tax discount rates would not change the amount of the reversal, as the recoverable amount would be still higher than the write-up cap. Also, a decrease of 25% in the spark-spread would not have an impact on the reversal booked.

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

#### d) Exploration and evaluation expenditure

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

#### e) Recoverability of Romanian State receivable

Management is periodically assessing the recoverability of the receivable related to expenditure recoverable from the Romanian State related to obligations for decommissioning and environmental costs in OMV Petrom S.A., which was recognized based on the privatization agreement. The assessment process is considering inter alia the history of amounts claimed, documentation process related requirements, potential litigation or arbitration proceedings. For more details, see Note 9 b).

### Judgments

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

#### f) Cash generating units

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

## g) Contingencies

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

## h) Lease term and incremental borrowing rate

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

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

## 3. CONSOLIDATION

### a) Subsidiaries

The consolidated financial statements comprise the financial statements of OMV Petrom S.A. (“OMV Petrom” / “the Company”) and its subsidiaries (“OMV Petrom Group” or “the Group”) as at December 31, 2020, prepared in accordance with consistent accounting and valuation principles. The financial statements of the subsidiaries are prepared for the same reporting date, December 31, 2020, as those of the parent company.

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

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

Consolidation of a subsidiary begins when OMV Petrom obtains control over the subsidiary and ceases when OMV Petrom loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the

year are included in the consolidated financial statements from the date OMV Petrom gains control until the date OMV Petrom ceases to control the subsidiary.

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

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

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

The number of consolidated entities is as follows:

	Full consolidation	Equity method
<b>As at January 1, 2020</b>	<b>11</b>	<b>1</b>
Included for the first time	1	-
Deconsolidated during the year	(1)	-
<b>As at December 31, 2020</b>	<b>11</b>	<b>1</b>
Romanian companies	5	1
Foreign companies	6	-

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

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

Non-controlling interests are not significant as of December 31, 2020 and December 31, 2019.

## b) Associates

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

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

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

The consolidated income statement reflects the share of the net results of operations of the associate. The share of any change in other comprehensive income (OCI) of the associate is presented as part of the Group's OCI. In addition, where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of the changes

and discloses it in the consolidated statement of changes in equity. The Group recognizes the dividend from an associate when the right to receive a dividend is established, and presents separately (Note 8) the share of the results of operations of the associate corresponding to dividends received.

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

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

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

### c) Interests in joint arrangements

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

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

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

Joint ventures are joint arrangements in which the parties that share control have rights to the net assets of the arrangement. Joint operations are joint arrangements in which the parties that share joint control have rights to the assets, and obligations for the liabilities, relating to the arrangement.

As of December 31, 2020 and 2019, the Group had joint arrangements classified as joint operations.

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

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

## 4. ACCOUNTING AND VALUATION PRINCIPLES

### 4.1. Changes in accounting policies

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

#### First-time adoption of amended standards

The Group has adopted the following amended standards with a date of initial application of January 1, 2020:

- ▶ Amendments to IFRS 3 Business Combinations: Definition of a Business
- ▶ Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform
- ▶ Amendments to IAS 1 and IAS 8: Definition of Material
- ▶ Amendments to References to the Conceptual Framework in IFRS Standards

The amendments did not have any material impact on OMV Petrom Group's financial statements.

#### Change in income statement presentation

Starting with 2020, reversals of impairments on tangible and intangible assets are reported within the line "Depreciation, amortization, impairments and write-ups" in order to improve the international comparability of the income statement presentation. The prior year figures have been adjusted accordingly. The voluntary change in accounting policy has no effect on the operating result.

#### Adjustments to income statement items

In RON million	2019 (old)	Reclassification	2019 (new)
Other operating income	263.95	(5.18)	258.77
Total revenues and other income	25,756.78	(5.18)	25,751.60
Depreciation, amortization, impairments and write-ups	(3,511.88)	5.18	(3,506.70)

### 4.2. New and revised standards not yet mandatory

OMV Petrom Group has not applied the following new or revised IFRSs that have been issued but are not yet effective. They are not expected to have any material effects on the Group's financial statements. EU endorsement is still pending in some cases.

Standards and amendments	IASB effective date
Amendments to IFRS 16 Leases: Covid 19 Related Rent Concessions	June 1, 2020
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform - Phase 2	January 1, 2021
Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework	January 1, 2022
Amendments to IAS 16 Property, Plant and Equipment: Proceeds before intended use	January 1, 2022
Amendments to IAS 37: Onerous Contracts - Cost of Fulfilling a Contract	January 1, 2022
Annual Improvements to IFRS Standards 2018-2020	January 1, 2022
Amendments to IAS 1: Classification of Liabilities as Current and Non-Current	January 1, 2023
Amendment to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	postponed indefinitely

### 4.3. Summary of accounting and valuation principles

#### a) Business combinations

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

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

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

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

#### b) Pre-licence costs

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

### c) Licence acquisition costs

Exploration licence acquisition costs are capitalized in intangible assets.

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

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

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

### d) Exploration and evaluation costs

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

### e) Development and production costs

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

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

### f) Intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are recognized at cost of acquisition or construction (including costs of major inspection and general overhauls) and are presented net of accumulated depreciation and impairment losses.

The cost of purchased property, plant and equipment is the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to their present location and

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

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

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

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

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

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

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

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

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

Transactions in which control of an exploration entity is obtained are treated as asset acquisitions, if the entity does not constitute a business as defined by IFRS 3 Business combinations.

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

#### **Impairment of intangible assets and property, plant and equipment**

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

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. The cash flows are generally derived from recent budgets and planning calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated.

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

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

#### **g) Major maintenance and repairs**

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

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

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

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

## h) Research and development

Expenditure related to research activities is recognized as expense in the period in which it is incurred. Research and development (R&D) expenses include all direct and indirect materials, personnel and external services costs incurred in connection with the focused search for new insights related to the development and significant improvement of products, services and processes and in connection with research activities. Development costs are capitalized if the recognition criteria according to IAS 38 are fulfilled.

## i) Leases

OMV Petrom Group as a lessee recognizes lease liabilities and right-of-use assets for lease contracts according to IFRS 16. It applies the recognition exemption for short-term leases and leases in which the underlying asset is of low value and therefore does not recognize right-of-use assets and lease liabilities for such leases. Leases to explore for and use oil and natural gas, which comprise mainly land leases used for such activities, are not in the scope of IFRS 16. The rent for these contracts is recognized on a straight-line basis over the contract term.

At the commencement date of the lease (i.e. the date the underlying asset is available for use), lease liabilities are recognized at the net present value of fixed lease payments and lease payments which depend on an index or rate over the determined lease term, with the applicable discount rate. The amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there are changes in the lease term, lease payments or in the assessment of an option to purchase the underlying asset.

Right-of-use assets are recognized at commencement date, and measured at the present value of the lease liability plus prepayments and initial direct costs and presented within property, plant and equipment. After the commencement date, right-of-use assets are measured at cost, less any accumulated depreciation and any accumulated impairment losses (see Note 4f) and adjusted for any remeasurement of the lease liability, if the case.

Non-lease components are separated from the lease components for the measurement of right-of-use assets and lease liabilities.

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

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

## j) Financial instruments

### Non-derivative financial assets

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

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

- ▶ the asset is held within the business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ▶ the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

OMV Petrom Group recognizes allowances for expected credit losses (ECLs) for financial assets measured at amortized costs. The ECL calculation is based on external or internal credit ratings of the counterparty, associated probabilities of default and loss given default. External credit rating is based mainly on reports issued by well-known rating agencies and is reflected in OMV Petrom Group by grouping financial assets in five risk classes (risk class 1 being the lowest risk category).

The probabilities of default used for each risk class, as presented in Note 9, are based on Standard & Poor's average global corporate default rates. A loss given default of 45% was applied for computation of ECL of financial assets which are not credit impaired.

ECLs are recognized in two stages:

- i. Where there has not been a significant increase in the credit risk since initial recognition, credit losses are measured at 12 month ECLs. The 12 month ECL is the credit loss which results from default events that are possible within the next 12 months. The Group considers a financial asset to have low credit risk when its credit risk rating is equivalent to the definition of 'investment grade'.
- ii. Where there has been a significant increase in the credit risk since initial recognition, a loss allowance is required for the lifetime ECL, i.e. the expected credit losses resulting from possible default events over the expected life of a financial asset. For this assessment, OMV Petrom Group considers all reasonable and supportable information that is available without undue cost or effort. Furthermore, OMV Petrom Group assumes that the credit risk on a financial asset has significantly increased if it is more than 30 days past due. If the credit quality improves for a lifetime ECL asset, OMV Petrom Group reverts to recognizing allowances on a 12 month ECL basis. A financial asset is considered to be in default when the financial asset is 90 days past due unless there is reasonable and supportable information that demonstrate that a more lagging default criterion is appropriate. A financial asset is written off when there is no reasonable expectation that the contractual cash flows will be recovered.

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

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

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

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

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

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

#### **Non-derivative financial liabilities**

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

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

#### **Derivative financial instruments and hedge accounting**

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

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

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

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

Contracts to buy or sell a non-financial item that can be settled net in cash or another financial instrument, or by exchanging financial instruments, as if the contracts were financial instruments, are accounted for as financial instruments and measured at fair value. Associated gains or losses are recognized in the consolidated income statement. However, contracts that are

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

## k) Borrowing costs

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

## l) Government grants

Government grants – except for emission rights (see Note 4.3 n) – are recognized as income or deducted from the related asset where it is reasonable to expect that the granting conditions will be met and that the grants will be received.

## m) Inventories

Inventories are recognized at the lower of cost and net realizable value, except for inventories held for trading which are measured at fair value less cost to sell. Net realizable value is the estimated selling price in the normal course of activity less any selling expenses.

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

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

## n) Provisions

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

### Decommissioning and environmental obligations

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

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

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

Liabilities for environmental costs are recognized when a clean-up is probable and the associated costs can be reliably estimated. Generally, the timing of recognition of these provisions coincides with the commitment to a formal plan of action. The amount recognized is the best estimate of the expenditure required. Estimates of future remediation costs are based on current contracts concluded with suppliers, reports prepared by OMV Petrom Group engineers, as well as past experience. Where the liability will not be settled for a number of years, the amount recognized is the present value of the estimated future expenditure.

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

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

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

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

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

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

### Pensions and similar obligations

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

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

**Emission allowances** received free of cost from governmental authorities (EU Emissions Trading Scheme for greenhouse gas emissions allowances) reduce obligations for CO<sub>2</sub> emissions and are recognized based on net approach for Government Grant (i.e. zero value in accounting). Provisions are recognized only for shortfalls. Provisions for shortfalls are initially measured at the best estimation of expenditure required to settle the obligation. The related expenses are recognized as emission costs, included in production and operating expenses. If, subsequently to the recognition of a provision, emission rights are purchased, then an asset is only recognized for the excess of the emission rights over the CO<sub>2</sub> emissions.

## o) Taxes on income and royalties

### Current tax

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

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

### Deferred tax

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

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

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

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

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

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

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

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

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

#### **Production taxes**

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

## p) Revenue recognition

#### **Revenues from contracts with customers**

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

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

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

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

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

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

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

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

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

#### **Revenues from other sources**

Revenues from other sources mainly include revenues from commodity transactions that are within the scope of IFRS 9 Financial Instruments, realized and unrealized results from hedging of sales transactions, as well as rental and lease revenues.

As per IFRS 9 Financial Instruments, commodity contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements fall within the own use exemption.

OMV Petrom Group obtains revenues from gas sales forward contracts with physical delivery, which are considered to fall under own use exemption as mentioned above.

#### **Dividend and interest income**

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

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

### **q) Cash and cash equivalents**

Cash is considered to be cash on hand and in operating accounts in banks. Cash equivalents represent deposits and highly liquid short-term investments with original maturities of less than three months.

## 5. FOREIGN CURRENCY AND TRANSLATION

### a) Group companies

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

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

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

Currencies	Year ended December 31, 2020*	Average for the year ended December 31, 2020	Year ended December 31, 2019*	Average for the year ended December 31, 2019
US dollar (USD)	3.9660	4.2413	4.2608	4.2392
Euro (EUR)	4.8694	4.8376	4.7793	4.7454
Moldavian Leu (MDL)	0.2305	0.2451	0.2481	0.2413
Serbian Dinar (RSD)	0.0414	0.0411	0.0407	0.0403
Bulgarian Leva (BGN)	2.4897	2.4734	2.4436	2.4263

\*) as communicated by the National Bank of Romania

### b) Transactions and balances

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

## 6. INTANGIBLE ASSETS

	Concessions, licences and other intangible assets	Oil and gas assets with unproved reserves	Total
<b>COST</b>			
<b>Balance as at January 1, 2020</b>	<b>1,350.29</b>	<b>3,411.65</b>	<b>4,761.94</b>
Exchange differences	0.69	0.80	<b>1.49</b>
Additions	3.00	277.66	<b>280.66</b>
Transfers (Note 7)	0.41	(5.97)	<b>(5.56)</b>
Disposals*	(3.93)	(58.74)	<b>(62.67)</b>
Transfers to assets held for sale	(1.03)	-	<b>(1.03)</b>
<b>Balance as at December 31, 2020</b>	<b>1,349.43</b>	<b>3,625.40</b>	<b>4,974.83</b>
<b>ACCUMULATED AMORTIZATION AND IMPAIRMENT</b>			
<b>Balance as at January 1, 2020</b>	<b>1,258.20</b>	<b>371.73</b>	<b>1,629.93</b>
Exchange differences	0.49	-	<b>0.49</b>
Amortization	10.59	-	<b>10.59</b>
Impairment	-	628.95	<b>628.95</b>
Transfers (Note 7)	-	(1.52)	<b>(1.52)</b>
Disposals	(3.57)	(58.52)	<b>(62.09)</b>
Write-ups	(41.46)	(0.64)	<b>(42.10)</b>
Transfers to assets held for sale	(0.93)	-	<b>(0.93)</b>
<b>Balance as at December 31, 2020</b>	<b>1,223.32</b>	<b>940.00</b>	<b>2,163.32</b>
<b>CARRYING AMOUNT</b>			
<b>As at January 1, 2020</b>	<b>92.09</b>	<b>3,039.92</b>	<b>3,132.01</b>
<b>As at December 31, 2020</b>	<b>126.11</b>	<b>2,685.40</b>	<b>2,811.51</b>

\*) Includes the amount of RON 0.19 million representing decrease from reassessment of decommissioning asset for exploration wells (under category "Oil and gas assets with unproved reserves").

Oil and gas assets with unproved reserves include mainly expenditure capitalized in relation to Neptun project. OMV Petrom remains keen to see the Neptun Deep strategic project being developed. Based on management assessment it was concluded that there were no impairment triggers as at December 31, 2020 and 2019.

## 7. PROPERTY, PLANT AND EQUIPMENT

	Land, land rights and buildings, incl. buildings on third-party property	Oil and gas assets	Plant and machinery	Other fixtures and fittings, tools and equipment	Assets under construction	Total
<b>COST</b>						
<b>Balance as at January 1, 2020</b>	<b>5,180.77</b>	<b>43,366.55</b>	<b>11,281.87</b>	<b>1,592.24</b>	<b>671.34</b>	<b>62,092.77</b>
Exchange differences	13.76	(17.48)	0.03	2.21	0.47	(1.01)
Additions*	97.23	2,589.33	326.56	62.84	396.52	3,472.48
Transfers**	109.58	(101.68)	321.10	56.63	(380.07)	5.56
Transfers to assets held for sale	(9.39)	(3,818.97)	(198.43)	(106.63)	(4.92)	(4,138.34)
Disposals	(41.08)	(409.80)	(70.70)	(40.45)	(0.22)	(562.25)
<b>Balance as at December 31, 2020</b>	<b>5,350.87</b>	<b>41,607.95</b>	<b>11,660.43</b>	<b>1,566.84</b>	<b>683.12</b>	<b>60,869.21</b>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b>						
<b>Balance as at January 1, 2020</b>	<b>2,394.14</b>	<b>24,077.43</b>	<b>6,671.92</b>	<b>983.99</b>	<b>20.57</b>	<b>34,148.05</b>
Exchange differences	5.49	(15.82)	0.11	1.91	(0.18)	(8.49)
Depreciation	217.61	1,931.24	722.14	167.29	-	3,038.28
Impairment	5.15	846.34	13.94	4.31	-	869.74
Transfers**	0.07	0.95	(1.49)	1.99	-	1.52
Transfers to assets held for sale	(4.16)	(3,336.45)	(177.48)	(90.25)	-	(3,608.34)
Disposals	(24.87)	(400.77)	(67.74)	(34.44)	-	(527.82)
Write-ups	(1.05)	(366.66)	(476.11)	(2.11)	-	(845.93)
<b>Balance as at December 31, 2020</b>	<b>2,592.38</b>	<b>22,736.26</b>	<b>6,685.29</b>	<b>1,032.69</b>	<b>20.39</b>	<b>33,067.01</b>
<b>CARRYING AMOUNT</b>						
<b>As at January 1, 2020</b>	<b>2,786.63</b>	<b>19,289.12</b>	<b>4,609.95</b>	<b>608.25</b>	<b>650.77</b>	<b>27,944.72</b>
<b>As at December 31, 2020</b>	<b>2,758.49</b>	<b>18,871.69</b>	<b>4,975.14</b>	<b>534.15</b>	<b>662.73</b>	<b>27,802.20</b>

\*) Includes the amount of RON 487.01 million representing increase from reassessment of the decommissioning asset.

\*\*) Net amount represents transfers from intangibles (Note 6).

Expenditure capitalized in the course of construction of tangible and intangible assets amounts to RON 529.58 million (2019: RON 541.11 million).

For details on impairments see Note 23.

### OMV Petrom Group as a lessee

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

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

**Right-of-use assets recognized under IFRS 16**

	Land and buildings	Plant and machinery	Other fixtures, fittings and equipment	Total
<b>Right-of-use assets as at January 1, 2020</b>	<b>231.72</b>	<b>104.07</b>	<b>336.43</b>	<b>672.22</b>
Additions	58.11	12.51	47.98	118.60
Depreciation	(25.69)	(23.13)	(93.59)	(142.41)
Other movements	(5.38)	(0.41)	(5.57)	(11.36)
<b>Right-of-use assets as at December 31, 2020</b>	<b>258.76</b>	<b>93.04</b>	<b>285.25</b>	<b>637.05</b>

**Amounts recognized in consolidated income statement**

	2020	2019
<b>Operating result</b>		
Short-term lease expenses	20.78	65.47
Low-value lease expenses	0.72	0.60
Variable lease expenses	20.70	26.84
Depreciation expense of right-of-use assets	142.42	108.93
<b>Net financial result</b>		
Interest expense on lease liabilities	10.95	10.51
Foreign exchange loss on lease liabilities	5.66	10.25

In addition, OMV Petrom Group incurred in 2020 short term lease costs of RON 54.73 million (2019: RON 240.08 million) which were capitalized in the cost of other assets.

Variable lease payments expensed in 2020 in amount of RON 20.70 million (2019: RON 26.84 million) were related to contingent rent mainly for leased filling stations and power generators equipment, determined based on turnover, quantities or other contractual parameters.

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

## 8. INVESTMENTS IN ASSOCIATED COMPANIES

As at December 31, 2020 and December 31, 2019 OMV Petrom Group had one associated company: OMV Petrom Global Solutions S.R.L. with a shareholding of 25% and principal place of business in Romania.

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

	2020	2019
<b>Carrying amount of interests in individually immaterial associates</b>	<b>31.68</b>	<b>26.94</b>
<b>Group's share of:</b>		
- profit from continuing operations (Note 21)	4.47	7.36
- other comprehensive income	0.27	(0.34)
- dividends during the year	-	(0.13)
<b>Total comprehensive income</b>	<b>4.74</b>	<b>6.89</b>

Carrying amount reconciliation for immaterial associates is as follows:

	Associated companies
<b>January 1, 2020</b>	<b>26.94</b>
Share of total comprehensive income of associates (see above)	4.74
<b>December 31, 2020</b>	<b>31.68</b>

During 2019 the share capital of the associated entity OMV Petrom Global Solution S.R.L. was reduced by way of cash distribution, with no impact on the shareholding of 25% held by OMV Petrom Group. For details please see Note 32 c).

## 9. TRADE RECEIVABLES AND OTHER FINANCIAL ASSETS

### a) Trade receivables

Trade receivables are amounting to RON 1,258.13 million as at December 31, 2020 (2019: RON 1,891.86 million).

**Credit quality of trade receivables**

<b>December 31, 2020</b>	<b>Expected credit loss rate</b>	<b>Gross carrying amount</b>	<b>Expected credit loss</b>	<b>Net carrying amount</b>
Risk class 1	0.07%	66.14	-	66.14
Risk class 2	0.25%	357.68	0.06	357.62
Risk class 3	1.19%	739.98	4.86	735.12
Risk class 4	10.26%	98.39	1.61	96.78
Risk class 5	100.00%	200.03	197.56	2.47
<b>Total</b>		<b>1,462.22</b>	<b>204.09</b>	<b>1,258.13</b>

<b>December 31, 2019</b>	<b>Expected credit loss rate</b>	<b>Gross carrying amount</b>	<b>Expected credit loss</b>	<b>Net carrying amount</b>
Risk class 1	0.07%	293.98	0.01	293.97
Risk class 2	0.24%	641.63	0.13	641.50
Risk class 3	1.22%	898.34	5.05	893.29
Risk class 4	10.27%	60.84	1.11	59.73
Risk class 5	100.00%	201.13	197.76	3.37
<b>Total</b>		<b>2,095.92</b>	<b>204.06</b>	<b>1,891.86</b>

The movements in impairment of trade receivables are as follows:

	<b>2020</b>	<b>2019</b>
<b>January 1</b>	<b>204.06</b>	<b>243.20</b>
Amounts written off	(0.68)	(20.79)
Net remeasurement of expected credit losses	0.52	(18.61)
Foreign exchange rate differences	0.19	0.26
<b>December 31</b>	<b>204.09</b>	<b>204.06</b>

**b) Other financial assets (net of impairment)**

	<b>Liquidity term</b>		
	<b>December 31, 2020</b>	<b>less than 1 year</b>	<b>over 1 year</b>
Expenditure recoverable from Romanian State	2,402.19	359.05	2,043.14
Derivative financial assets (Note 33)	647.52	646.13	1.39
Investments	0.91	-	0.91
Other financial assets	255.45	207.93	47.52
<b>Total</b>	<b>3,306.07</b>	<b>1,213.11</b>	<b>2,092.96</b>

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

### Expenditure recoverable from Romanian State

As part of the privatization agreement, OMV Petrom S.A. is entitled to reimbursement by the Romanian State of part of decommissioning and environmental costs incurred to restore and clean up areas pertaining to activities prior to privatization in 2004. Consequently, OMV Petrom S.A. has recorded as receivable from the Romanian State the estimated decommissioning obligations having a net present value of RON 2,152.42 million as at December 31, 2020 (2019: RON 1,793.22 million) and the environmental liabilities with net present value of RON 249.77 million (2019: RON 169.61 million), as these were existing prior to privatization of OMV Petrom S.A.

On 7 March 2017, OMV AG, as party in the privatization agreement, initiated arbitration proceedings against the Romanian Ministry of Environment, in accordance with the International Chamber of Commerce ("ICC") Rules, regarding certain claims unpaid by the Ministry of Environment for costs incurred by OMV Petrom with well decommissioning and environmental remediation works, amounting to RON 287.66 million. On July 9, 2020, the Arbitral Tribunal issued the Final Award on the arbitration and requested the Ministry of Environment to reimburse to OMV Petrom S.A. the amount of RON 287.62 million and related interest (see Note 24). As of December 31, 2020, the procedure for recognition and enforcement in Romania of the Award is ongoing.

On 2 October 2020, OMV AG, as party in the privatization agreement, initiated arbitration proceedings against the Romanian Ministry of Environment, in accordance with the ICC Rules, regarding certain claims unpaid by the Ministry of Environment in relation to well decommissioning and environmental remediation works amounting to RON 155.73 million. As of December 31, 2020, the arbitration procedure is ongoing.

### Investments

Investments are related to companies that were not consolidated, as the Group neither has control nor significant influence over their operations, or they were considered immaterial for the Group.

### Other financial assets

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

As of December 31, 2020 the present value of the financial asset representing government grant to be received for Brazi power plant investment was in amount of RON 39.15 million (2019: RON 172.47 million). During 2020 an amount of RON 140.19 million from third tranche was collected, whilst during 2019 the first two tranches in amount of RON 226.59 million were collected (see Note 32 d).

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

<b>December 31, 2020</b>	<b>Expected credit loss rate</b>	<b>12-month ECL</b>	<b>Lifetime ECL not credit impaired</b>	<b>Lifetime ECL credit impaired</b>	<b>Total</b>
Risk class 1	0.07%	0.05	-	-	<b>0.05</b>
Risk class 2	0.25%	2,522.13	-	45.68	<b>2,567.81</b>
Risk class 3	1.19%	138.41	-	-	<b>138.41</b>
Risk class 4	10.26%	2.39	-	-	<b>2.39</b>
Risk class 5	100.00%	0.25	-	538.90	<b>539.15</b>
<b>Total</b>		<b>2,663.23</b>	<b>-</b>	<b>584.58</b>	<b>3,247.81</b>

For risk class 2, “12-month ECL” included an amount of RON 2,405.64 million and “Lifetime ECL credit impaired” included an amount of RON 45.68 million, related to expenditure recoverable from the Romanian State.

<b>December 31, 2019</b>	<b>Expected credit loss rate</b>	<b>12-month ECL</b>	<b>Lifetime ECL not credit impaired</b>	<b>Lifetime ECL credit impaired</b>	<b>Total</b>
Risk class 1	0.07%	42.57	-	-	<b>42.57</b>
Risk class 2	0.24%	2,201.06	-	67.38	<b>2,268.44</b>
Risk class 3	1.22%	85.66	-	-	<b>85.66</b>
Risk class 4	10.27%	2.56	-	-	<b>2.56</b>
Risk class 5	100.00%	0.14	-	542.42	<b>542.56</b>
<b>Total</b>		<b>2,331.99</b>	<b>-</b>	<b>609.80</b>	<b>2,941.79</b>

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

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

<b>December 31, 2020</b>	<b>Expected credit loss rate</b>	<b>12-month ECL</b>	<b>Lifetime ECL not credit impaired</b>	<b>Lifetime ECL credit impaired</b>	<b>Total</b>
Risk class 1	0.07%	-	-	-	<b>-</b>
Risk class 2	0.25%	4.83	-	45.68	<b>50.51</b>
Risk class 3	1.19%	0.54	-	-	<b>0.54</b>
Risk class 4	10.26%	0.11	-	-	<b>0.11</b>
Risk class 5	100.00%	0.11	-	538.90	<b>539.01</b>
<b>Total</b>		<b>5.59</b>	<b>-</b>	<b>584.58</b>	<b>590.17</b>

For risk class 2, “12-month ECL” included an amount of RON 3.45 million and “Lifetime ECL credit impaired” included an amount of RON 45.68 million, related to expenditure recoverable from the Romanian State.

December 31, 2019	Expected credit loss rate	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Risk class 1	0.07%	-	-	-	-
Risk class 2	0.24%	3.36	-	67.38	70.74
Risk class 3	1.22%	1.48	-	-	1.48
Risk class 4	10.27%	0.12	-	-	0.12
Risk class 5	100.00%	-	-	542.42	542.42
<b>Total</b>		<b>4.96</b>	<b>-</b>	<b>609.80</b>	<b>614.76</b>

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

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

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

	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
<b>January 1, 2020</b>	<b>4.96</b>	<b>-</b>	<b>609.80</b>	<b>614.76</b>
Amounts written off	-	-	(12.99)	(12.99)
Net remeasurement of expected credit losses	0.75	-	(12.23)	(11.48)
Foreign exchange rate differences	(0.12)	-	-	(0.12)
<b>December 31, 2020</b>	<b>5.59</b>	<b>-</b>	<b>584.58</b>	<b>590.17</b>

	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
<b>January 1, 2019</b>	<b>4.45</b>	<b>-</b>	<b>614.14</b>	<b>618.59</b>
Amounts written off	-	-	(0.01)	(0.01)
Net remeasurement of expected credit losses	0.50	-	(4.33)	(3.83)
Foreign exchange rate differences	0.01	-	-	0.01
<b>December 31, 2019</b>	<b>4.96</b>	<b>-</b>	<b>609.80</b>	<b>614.76</b>

## 10. OTHER ASSETS

The carrying value of other assets was as follows:

	Liquidity term		
	December 31, 2020	less than 1 year	over 1 year
Receivable from taxes	272.91	85.06	187.85
Advance payments on fixed assets	52.55	52.55	-
Prepaid expenses and deferred charges	49.70	10.74	38.96
Rental and lease prepayments	18.20	11.73	6.47
Other non-financial assets	69.69	69.69	-
<b>Total</b>	<b>463.05</b>	<b>229.77</b>	<b>233.28</b>

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

The decrease in "Other non-financial assets" is mainly related to lower stock of emission certificates, following sale and consumption in 2020.

## 11. INVENTORIES

	December 31, 2020	December 31, 2019
Crude oil	474.30	482.66
Natural gas	104.24	180.81
Other materials	279.02	279.17
Work in progress	95.44	154.05
Finished products	1,149.90	1,367.76
<b>Total</b>	<b>2,102.90</b>	<b>2,464.45</b>

The cost of materials and goods consumed during 2020 (whether used in production or re-sold) is of RON 8,781.06 million (2019: RON 11,392.29 million).

As at December 31, 2020 and 2019 there are no inventories pledged as security for liabilities.

## 12. ASSETS HELD FOR SALE

	December 31, 2020	December 31, 2019
Land and buildings	6.61	1.53
Plant and equipment	722.91	215.67
Other assets	100.80	-
Cash and cash equivalents	30.58	-
<b>Assets held for sale</b>	<b>860.90</b>	<b>217.20</b>
Provisions for decommissioning and restoration	319.33	222.55
Other provisions and liabilities	93.35	1.20
<b>Liabilities associated with assets held for sale</b>	<b>412.68</b>	<b>223.75</b>

As at December 31, 2020, assets and liabilities held for sale referred to Upstream segment and are related to:

- ▶ the two subsidiaries in Kazakhstan, as in December 2020 OMV Petrom signed a transaction for the sale of its 100% shareholding in Kom-Munai LLP and Tasbulat Oil Corporation LLP to Magnetic Oil Limited, which led to the reclassification of their assets and liabilities to “held for sale” as of December 31, 2020. The transaction had a positive effect of RON 134.64 million in Operating Result triggered by the reversal of previously recorded impairments, presented under “Depreciation, amortization, impairments and write-ups”. At closing, the Group expects an estimated negative net effect of RON 91.98 million in the consolidated income statement, generated by recycling of the exchange rate differences from the translation of these foreign operations and by recycling of exchange differences on loans considered net investments in the two subsidiaries.
- ▶ 40 marginal onshore oil and gas fields, for which OMV Petrom S.A. reached an agreement with Dacian Petroleum S.R.L. in January 2020, which led to their reclassification of related assets and liabilities to “held for sale”. As of December 31, 2020, management expects that this transaction will be closed within the following twelve months.

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

## 13. STOCKHOLDERS' EQUITY

### Share capital

The share capital of OMV Petrom S.A. consists of 56,644,108,335 fully paid shares as at December 31, 2020 and 2019 with a total nominal value of RON 5,664.41 million.

### Revenue reserves

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

Geological quota is amounting to RON 5,062.84 million as at December 31, 2020 and 2019. Until December 31, 2006, OMV Petrom S.A. benefited from geological quota facility whereby it could charge up to 35% of the market value of the volume of oil and gas extracted during the year. This facility was recognized directly in reserves. This quota was restricted to investment purposes, it is not distributable and it was non-taxable.

Legal reserves are amounting to RON 1,132.88 million as at December 31, 2020 and 2019. OMV Petrom S.A. sets its legal reserve in accordance with the provisions of the Romanian Companies Law, which requires that minimum 5% of the annual accounting profit before tax is transferred to "legal reserve" until the balance of this reserve reaches 20% of the share capital of the Company.

Other reserves from fiscal facilities are amounting to RON 500.47 million (2019: RON 454.06 million). The amount of RON 46.41 million was allocated to other reserves, representing fiscal facilities from reinvested profit in the year 2020 (2019: RON 31.14 million).

At the Annual General Meeting of Shareholders held on April 27, 2020, the shareholders of OMV Petrom S.A. approved the distribution of gross dividends in amount of RON 0.031 per share for the financial year 2019.

On March 17, 2021, the Supervisory Board endorsed the management's proposal to distribute gross dividends of RON 0.031 per share for the financial year 2020. The dividend proposal is subject to further approval by the Ordinary General Meeting of Shareholders, on April 27, 2021.

### Cash flow hedge reserve

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

Certain financial instruments were accounted as cash flow hedges, with the effective part of the change in value of the derivative being accounted for in other comprehensive income. The cumulative unrealized gain recognized in other comprehensive income, net of tax, is in amount of RON 74.36 million as at December 31, 2020 (2019: RON 27.70 million). The hedged item (underlying transaction) can affect profit or loss or balance sheet; when this happens the amounts previously accounted for in other comprehensive income are recycled to income statement or transferred to the carrying amount of the hedged item, respectively. For more details on hedges please refer to Note 36.

### Other reserves

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

## 14. PROVISIONS

	Pensions and similar obligations	Decommissioning and restoration	Other provisions	Total
<b>January 1, 2020</b>	<b>240.70</b>	<b>6,768.27</b>	<b>899.99</b>	<b>7,908.96</b>
thereof short-term	-	312.19	311.12	<b>623.31</b>
thereof long-term	240.70	6,456.08	588.87	<b>7,285.65</b>
Exchange differences	0.01	(0.19)	(0.22)	<b>(0.40)</b>
Liabilities associated with assets held for sale	-	(49.05)	(31.44)	<b>(80.49)</b>
Used	(19.28)	(201.21)	(104.35)	<b>(324.84)</b>
Net allocations/(releases)	(7.74)	1,021.97	130.64	<b>1,144.87</b>
<b>December 31, 2020</b>	<b>213.69</b>	<b>7,539.79</b>	<b>894.62</b>	<b>8,648.10</b>
thereof short-term	-	267.37	249.50	<b>516.87</b>
thereof long-term	213.69	7,272.42	645.12	<b>8,131.23</b>

### Provisions for pensions and similar obligations

Employees of several Group companies are entitled to receive retirement benefits on reaching normal retirement age. The entitlements depend on years of service and final compensation levels. Retirement benefits obligation as of December 31, 2020 amounts RON 140.55 million (2019: RON 156.50 million). In addition, employees receive other benefits consisting in death and coffin benefits. Other benefits obligation as of December 31, 2020 amounts to RON 73.14 million (2019: RON 84.20 million).

Provisions have been set up based on actuarial calculations performed by qualified actuaries using the following parameters: a discount rate of 3.35% (2019: 4.41%) and an estimated average yearly salary increase of 3.10% (2019: 4.19%).

### Present value of the pensions and similar obligations

	2020	2019
<b>Present value of obligations as of January 1</b>	<b>240.70</b>	<b>211.38</b>
Current service cost	8.50	7.51
Past service cost	(43.56)	2.08
Interest cost	10.83	10.06
Benefits paid	(19.28)	(11.59)
Remeasurements for the year	16.50	21.26
<b>Present value of obligations as of December 31</b>	<b>213.69</b>	<b>240.70</b>

In 2020 past service cost is related mainly to outsourcing of activities for general surface services.

### Sensitivities changes in absolute terms

	Discount rate		Salary increase rate	
	0.50%	-0.50%	0.25%	-0.25%
<b>Pensions and other similar obligations increase/(decrease)</b>	<b>(11.33)</b>	<b>11.83</b>	<b>3.49</b>	<b>(4.29)</b>

**Maturity profile**

	Maturity profile			Duration
	1-5 years	6-10 years	>10 years	in years
<b>Retirement benefits</b>	<b>32.75</b>	<b>35.63</b>	<b>72.16</b>	<b>11.42</b>

**Provisions for decommissioning and restoration obligations**

Changes in provisions for decommissioning and restoration are shown in the table below. In the event of changes in estimated restoration costs the effect of the change in present value is recognized in the period concerned. If the value increases, the increase is depreciated over the remaining useful life of the asset, and if it decreases, the decrease is deducted from capitalized asset value or recognized in the consolidated income statement if it exceeds the carrying amount of the related asset. Net discount rates applied for calculating of decommissioning and restoration costs at December 31, 2020 were between 0.50% and 0.57% for onshore (2019: between 0.00% and 1.65%) and 3.10% for offshore (2019: 1.65%). A decrease of 1 percentage point in the real interest rates used to calculate the decommissioning and restoration provisions would lead to an additional provision of RON 936 million.

The provision for decommissioning and restoration costs includes mainly obligations in respect of OMV Petrom S.A. amounting to RON 7,511.13 million (2019: RON 6,702.45 million). In relation to part of the OMV Petrom S.A. decommissioning and restoration obligations, there is a corresponding receivable from the Romanian State, as disclosed under "Other financial assets" (Note 9b).

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

Details on the decommissioning and restoration obligations are as follows:

	2020	2019
<b>January 1</b>	<b>6,768.27</b>	<b>6,238.63</b>
Exchange differences	(0.19)	4.81
Revisions in estimates	733.55	651.61
Unwinding effect	288.42	293.95
Used in current year	(201.21)	(197.37)
Transfer to liabilities associated with assets held for sale	(49.05)	(223.36)
<b>December 31</b>	<b>7,539.79</b>	<b>6,768.27</b>

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

Impact from revision in estimates in 2020 was generated by lower net discounting rates and higher estimated average unit costs for onshore assets in Romania.

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

**Other provisions**

<b>December 31, 2020</b>	<b>Total</b>	<b>less than 1 year</b>	<b>over 1 year</b>
Environmental provision	410.22	55.18	355.04
Other personnel provisions	118.66	117.15	1.51
Provisions for litigations	83.83	5.13	78.70
Other	281.91	72.04	209.87
<b>Total</b>	<b>894.62</b>	<b>249.50</b>	<b>645.12</b>

<b>December 31, 2019</b>	<b>Total</b>	<b>less than 1 year</b>	<b>over 1 year</b>
Environmental provision	397.11	51.20	345.91
Other personnel provisions	101.76	99.13	2.63
Provisions for litigations	82.49	5.47	77.02
Other	318.63	155.32	163.31
<b>Total</b>	<b>899.99</b>	<b>311.12</b>	<b>588.87</b>

**Environmental provisions**

The environmental provisions were estimated by the management based on the list of environment related projects that must be completed by OMV Petrom Group. Provisions recorded as at December 31, 2020 and 2019 represent the best estimate of the Group's experts for environmental matters. Environmental provisions are mainly computed using a discount rate of 3.10% (2019: 4.41%).

OMV Petrom S.A. recorded certain environmental liabilities against receivable from the Romanian State, as these obligations existed prior to privatization (as further explained in Note 9b "Expenditure recoverable from Romanian State").

**Provisions for litigations**

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

**Emissions certificates**

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

The only company from the Group included in this scheme is OMV Petrom S.A. Under this scheme OMV Petrom S.A. is entitled to an allocation of 643,767 emission certificates for the year 2020 (2019: 1,018,845 emission certificates). During 2020 the Company received 973,979 emission certificates, out of which 330,212 emission certificates representing the 2019 entitlement according to article 10c) of the Directive and 643,767 emission certificates from 2020 entitlement according to article 10a) of the Directive.

During 2020 the Group had net sales of 329,915 emissions certificates (2019: net other purchases of 1,153,324 emissions certificates).

A shortfall in emission certificates is provided for. As of December 31, 2020, the Group was not short of certificates.

## 15. INTEREST-BEARING DEBTS

As at December 31, 2020 and December 31, 2019 OMV Petrom Group had the following loans:

Borrower	Lender	December 31, 2020	December 31, 2019
<b>Interest-bearing debts short-term</b>			
OMV Petrom S.A.	European Investment Bank (a)	92.75	91.03
OMV Petrom S.A.	OMV Petrom Global Solutions S.R.L. (b)	81.22	39.67
	Accrued interest and other	1.13	1.62
	Prepayments in relation with loan amounts drawn	(0.07)	(0.07)
<b>Total interest bearing debts short-term</b>		<b>175.03</b>	<b>132.25</b>
<b>Interest-bearing debts long-term</b>			
OMV Petrom S.A.	European Investment Bank (a)	108.98	198.00
	Prepayments in relation with loan amounts drawn	(0.04)	(0.12)
<b>Total interest-bearing debts long-term</b>		<b>108.94</b>	<b>197.88</b>
thereof maturing after more than 1 year but not later than 5 years		108.94	197.88
<b>Total interest-bearing debts</b>		<b>283.97</b>	<b>330.13</b>

(a) For the construction of the Brazi Power Plant, OMV Petrom S.A. concluded an unsecured loan agreement for an amount of EUR 200.00 million with European Investment Bank. The agreement was signed on May 8, 2009 and the final maturity date is June 15, 2023. The outstanding amount as at December 31, 2020 was RON 201.73 million (equivalent of EUR 41.43 million) (2019: RON 289.03 million, equivalent of EUR 60.48 million).

(b) A cash pooling agreement with maturity on April 18, 2021, renewable each year, was signed between OMV Petrom S.A. and OMV Petrom Global Solutions S.R.L. on April 25, 2014. The aggregated amount of the loan is RON 100.00 million, usable in RON, EUR, USD or GBP. The amount drawn by the Group as at December 31, 2020 was RON 81.22 million (2019: RON 39.67 million).

The OMV Petrom Group's companies have several credit facilities in place as at December 31, 2020 as follows:

(c) An unsecured credit facility granted by Raiffeisen Bank S.A. up to EUR 50.00 million (equivalent of RON 243.47 million) consisting in two subfacilities: subfacility A with maturity date prolonged to December 31, 2021 (for an amount of EUR 30.00 million, equivalent of RON 146.08 million) and subfacility B with maturity date prolonged to December 31, 2024 (for an amount of EUR 20.00 million, equivalent of RON 97.39 million). Subfacility A can be used only in RON and only by OMV Petrom S.A. as overdraft credit line. Subfacility B can be used in EUR, USD, GBP or RON by OMV Petrom S.A., OMV Petrom Marketing S.R.L. and OMV Petrom Gas S.R.L. (up to the limit of EUR 20.00 million, equivalent of RON 97.39 million) and by OMV Petrom Aviation S.R.L. (only up to the maximum limit of EUR 10.00 million, equivalent of RON 48.69 million) only for the issuance of letters of credit and/or issuance of letters of bank guarantee. As at December 31, 2020 no withdrawals were made (2019: an amount of RON 0.01 million was used from the cash portion of the credit facility, being included in "Accrued interest and other" line).

(d) An unsecured facility contracted by OMV Petrom S.A. from ING Bank N.V., that can be used in USD, RON or EUR, up to the maximum amount of EUR 50.00 million (equivalent of RON 243.47 million), for issuance of letters of bank guarantee and as overdraft for working capital financing. The maturity of the credit facility is November 22, 2022. No drawings under the overdraft were made as at December 31, 2020 and 2019.

- (e) An uncommitted and unsecured credit facility contracted by OMV Petrom S.A. from BRD – Groupe Société Générale S.A. with maximum limit of EUR 90.00 million (equivalent of RON 438.25 million) that can be used in RON, with maturity date prolonged until April 30, 2021. The facility is designated to finance OMV Petrom S.A. current activity and for issuance of bank guarantees, opening letters of credit and similar. The cash portion of the credit facility was not used as at December 31, 2020 and 2019.
- (f) A committed and unsecured credit facility contracted by OMV Petrom S.A. from Banca Comercială Română S.A., that can be used in USD, EUR or RON, up to a maximum amount of EUR 200.00 million (equivalent of RON 973.88 million), for issuance of letters of bank guarantee and similar and as overdraft for working capital financing. As at December 31, 2020, the maturity for letters of bank guarantee and similar is January 13, 2024 and for overdraft the maturity is January 11, 2022, with the possibility to further extend the maturity for additional successive periods, final maturity being January 13, 2024. The cash portion of the credit facility was not used as at December 31, 2020 and 2019.
- (g) An unsecured credit facility agreement was signed by OMV Petrom S.A. with Garanti Bank S.A. for up to EUR 15.00 million (equivalent of RON 73.04 million) to be utilized for issuance of letters of bank guarantee and similar and as overdraft for working capital financing. The maturity is January 15, 2022 for overdraft purposes and March 15, 2023 for issuance of bank guarantees. The cash portion of the credit facility was not used as at December 31, 2020 and 2019.
- (h) An unsecured facility contracted by OMV Srbija from Raiffeisen Banka a.d. Belgrad, with a maximum limit of RSD 600.00 million (equivalent of RON 24.84 million) and maturity date until March 30, 2022. The destination of the facility is for general corporate purposes financing. As at December 31, 2020 there is no amount used under the overdraft facility (2019: RON 0.01 million used from overdraft facility, included in “Accrued interest and other” line).
- (i) An unsecured credit facility agreement was signed by Petrom Moldova SRL with Banca Comercială Română Chişinău SA for up to MDL 20.00 million (equivalent of RON 4.61 million) to be utilized as overdraft for working capital financing. Final maturity is March 19, 2021. No drawings were made under the overdraft facility as at December 31, 2020 and 2019.
- (j) A credit facility contracted on October 02, 2014 by Tasbulat Oil Corporation LLP and Kom-Munai LLP as Borrowers from JSK Citibank Kazakhstan, accessible to both companies up to the maximum limit of USD 15.00 million (equivalent of RON 59.49 million) and maturity date prolonged to July 31, 2024. The purpose of the facility is for general corporate needs, working capital financing, letters of credit and letters of bank guarantee. The credit facility was not used as at December 31, 2020 and 2019.
- (k) An unsecured facility contracted by OMV Bulgaria OOD from Raiffeisenbank Bulgaria EAD, with a limit of BGN 19.75 million (equivalent of RON 49.17 million) and maturity date January 30, 2024. The destination of the facility is the financing of current operational activities and issuance of letters of bank guarantee. There were no drawings under the overdraft facility as at December 31, 2020 and 2019.

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

- (l) An unsecured facility agreement was signed by OMV Petrom S.A. with BNP Paribas Fortis Bank S.A./N.V. – Bucharest branch – for up to EUR 30.00 million (equivalent of RON 146.08 million), to be utilized only for issuance of letters of bank guarantee and letters of credit, with maturity date prolonged to March 27, 2021. Maturity is subject to possibility of further automatic extensions for successive periods of 12 months, but not longer than March 27, 2022.
- (m) An unsecured credit facility received by OMV Petrom S.A. from Banca Transilvania S.A., up to EUR 25.00 million (equivalent of RON 121.74 million), to be utilized only for issuance of letters of bank guarantee, with maturity until March 31, 2022.
- (n) A frame facility contracted by OMV Srbija from Raiffeisen Banka a.d. Belgrad, with a maximum limit of EUR 2.00 million (equivalent of RON 9.74 million) and maturity date until March 31, 2023. The destination of the facility is the issuance of letters of bank guarantee and letters of credit.

(o) An unsecured credit facility agreement was signed by Petrom Moldova SRL with Banca Comercială Română Chişinău SA for up to MDL 1.00 million (equivalent of RON 0.23 million) to be utilized for issuance of letters of bank guarantees. Maturity is March 19, 2021 and it is expected to be prolonged.

As at December 31, 2020 and 2019, OMV Petrom Group is in compliance with all financial covenants stipulated by the loan agreements.

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

## 16. OTHER FINANCIAL LIABILITIES

	December 31, 2020	less than 1 year	over 1 year
Derivative financial liabilities (Note 33)	472.64	472.64	-
Financial liabilities in connection with joint operations	5.22	5.22	-
Other financial liabilities	371.62	324.75	46.87
<b>Total</b>	<b>849.48</b>	<b>802.61</b>	<b>46.87</b>

	December 31, 2019	less than 1 year	over 1 year
Derivative financial liabilities (Note 33)	213.72	171.54	42.18
Financial liabilities in connection with joint operations	1.12	1.12	-
Other financial liabilities	264.52	199.88	64.64
<b>Total</b>	<b>479.36</b>	<b>372.54</b>	<b>106.82</b>

### Maturity profile of financial liabilities

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

December 31, 2020	< 1 year	1-5 years	> 5 years	Total
Interest-bearing debts	176.87	110.38	-	287.25
Lease liabilities	147.63	351.59	273.95	773.17
Trade payables	2,858.64	-	-	2,858.64
Derivative financial liabilities	472.64	-	-	472.64
Other financial liabilities	329.97	15.04	31.83	376.84
<b>Total</b>	<b>3,985.75</b>	<b>477.01</b>	<b>305.78</b>	<b>4,768.54</b>

December 31, 2019	< 1 year	1-5 years	> 5 years	Total
Interest-bearing debts	135.05	202.08	-	337.13
Lease liabilities	138.60	372.13	285.40	796.13
Trade payables	3,372.35	-	-	3,372.35
Derivative financial liabilities	171.54	42.18	-	213.72
Other financial liabilities	201.00	31.82	32.82	265.64
<b>Total</b>	<b>4,018.54</b>	<b>648.21</b>	<b>318.22</b>	<b>4,984.97</b>

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

## 17. OTHER LIABILITIES

	December 31, 2020	less than 1 year	over 1 year
Tax liabilities	413.57	413.57	-
Social security	49.70	49.70	-
Contract liabilities	143.63	143.63	-
Deferred income	91.24	77.15	14.09
Other liabilities	74.69	74.69	-
<b>Total</b>	<b>772.83</b>	<b>758.74</b>	<b>14.09</b>

	December 31, 2019	less than 1 year	over 1 year
Tax liabilities	462.62	462.62	-
Social security	44.69	44.69	-
Contract liabilities	145.44	145.44	-
Deferred income	23.37	9.48	13.89
Other liabilities	76.13	76.13	-
<b>Total</b>	<b>752.25</b>	<b>738.36</b>	<b>13.89</b>

### Contract liabilities

Contract liabilities include mainly contract liabilities recognized for vouchers sold to customers in the retail business and advance payments received from customers for future deliveries of goods or services.

The changes in contract liabilities were as follows:

	2020	2019
<b>January 1</b>	<b>145.44</b>	<b>138.86</b>
Revenue recognized that was included in the contract liability balance at the beginning of the year	(110.34)	(131.92)
Increases due to cash received, excluding amounts recognized as revenue during the year	108.53	138.50
<b>December 31</b>	<b>143.63</b>	<b>145.44</b>

## 18. DEFERRED TAX

December 31, 2020	Deferred tax assets total	Deferred tax assets not recognized	Deferred tax assets recognized	Deferred tax liabilities
Tangible and intangible assets	296.63	-	296.63	27.57
Inventories	21.95	-	21.95	-
Receivables and other assets	151.86	(38.51)	113.35	40.94
Provisions for pensions and similar obligations	36.22	-	36.22	2.06
Other provisions	1,067.90	-	1,067.90	-
Liabilities	68.91	(0.65)	68.26	-
Tax loss carried forward	-	-	-	-
<b>Total</b>	<b>1,643.47</b>	<b>(39.16)</b>	<b>1,604.31</b>	<b>70.57</b>
Netting (same tax jurisdiction/country)			(70.57)	(70.57)
<b>Total deferred tax, net</b>			<b>1,533.74</b>	<b>-</b>

December 31, 2019	Deferred tax assets total	Deferred tax assets not recognized	Deferred tax assets recognized	Deferred tax liabilities
Tangible and intangible assets	369.83	(15.24)	354.59	46.23
Inventories	26.54	(0.47)	26.07	-
Receivables and other assets	161.27	(38.32)	122.95	43.80
Provisions for pensions and similar obligations	42.47	-	42.47	4.05
Other provisions	954.30	(5.81)	948.49	-
Liabilities	71.09	(1.85)	69.24	-
Tax loss carried forward	0.29	-	0.29	-
<b>Total</b>	<b>1,625.79</b>	<b>(61.69)</b>	<b>1,564.10</b>	<b>94.08</b>
Netting (same tax jurisdiction/country)			(73.17)	(73.17)
<b>Total deferred tax, net</b>			<b>1,490.93</b>	<b>20.91</b>

As at December 31, 2020, losses carry-forward for tax purposes amounted to RON 242.75 million (2019: RON 124.88 million). Eligibility of losses for carry-forward expires as follows:

	2020	2019
2020	0	26.13
2021	22.17	0.74
2022	1.02	6.37
2023	10.82	6.41
2024	5.40	17.79
2025 / After 2024	15.01	67.44
After 2025	86.78	-
unlimited	101.55	-
<b>Total</b>	<b>242.75</b>	<b>124.88</b>

No deferred tax asset was recognized for part of tax losses carry-forward included in the above table, in amount of RON 230.20 million (2019: RON 123.43 million). As of December 31, 2020, the deferred tax asset recognised for part of tax losses carried-forward is included under "Assets held for sale".

## 19. SALES REVENUES

Revenues	2020	2019
Revenues from contracts with customers	18,120.39	24,326.96
Revenues from other sources	1,596.59	1,158.51
<b>Total sales revenues</b>	<b>19,716.98</b>	<b>25,485.47</b>

### Revenues from contracts with customers

In the following tables, revenues recorded in 2020 and 2019 are disaggregated by products and reportable segments.

2020	Upstream	Downstream	thereof Downstream Oil	thereof Downstream Gas	Corporate & Other	Total
Crude Oil, NGL, condensates	259.50	47.63	47.63	-	-	307.13
Natural gas, LNG and power	5.33	4,671.28	9.30	4,661.98	-	4,676.61
Fuels and heating oil	-	9,821.33	9,821.33	-	-	9,821.33
Other goods and services*	39.06	3,261.73	3,197.25	64.48	14.53	3,315.32
<b>Total</b>	<b>303.89</b>	<b>17,801.97</b>	<b>13,075.51</b>	<b>4,726.46</b>	<b>14.53</b>	<b>18,120.39</b>

2019	Upstream	Downstream	thereof Downstream Oil	thereof Downstream Gas	Corporate & Other	Total
Crude Oil, NGL, condensates	420.63	60.81	60.81	-	-	481.44
Natural gas, LNG and power	5.84	5,532.69	13.24	5,519.45	-	5,538.53
Fuels and heating oil	-	14,157.52	14,157.52	-	-	14,157.52
Other goods and services*	48.70	4,087.01	3,981.16	105.85	13.76	4,149.47
<b>Total</b>	<b>475.17</b>	<b>23,838.03</b>	<b>18,212.73</b>	<b>5,625.30</b>	<b>13.76</b>	<b>24,326.96</b>

\*) Mainly non-fuel business in Downstream Oil

### Revenues from other sources

Revenues from other sources mainly include revenues from commodity transactions that are within the scope of IFRS 9 Financial Instruments, realized and unrealized results from hedging of sales transactions, as well as rental and lease revenues.

OMV Petrom Group acts as a lessor for lease arrangements assessed as operating leases mainly for land and buildings and equipment. Rental and lease revenues in 2020 amount to RON 48.34 million (2019: RON 50.31 million).

## 20. OTHER OPERATING INCOME

	2020	2019
Exchange gains from operating activities	46.58	29.17
Gains on disposal of non-current assets	52.79	84.07
Other operating income	329.58	145.53
<b>Total</b>	<b>428.95</b>	<b>258.77</b>

Other operating income in 2020 includes revenues from sales of CO2 certificates in amount of RON 180.99 million and gains of RON 71.50 million from the fair value measurement of CO2 certificates held for trading in Downstream. During 2019 this line included income related to clarification of a tax related topic in Romania, in amount of RON 66.96 million.

Gains on disposal of non-current assets include in 2019 the amount of RON 52.82 million in relation to non-current assets transferred to Mazarine Energy Romania S.R.L. (see Note 32e).

## 21. NET INCOME FROM INVESTMENTS IN ASSOCIATES

	2020	2019
Share of net result of associated companies	4.47	7.36
<b>Total</b>	<b>4.47</b>	<b>7.36</b>

## 22. OTHER OPERATING EXPENSES

	2020	2019
Exchange losses from operating activities	32.93	34.15
Losses on disposal of non-current assets	11.54	5.81
Other operating expenses	303.99	244.45
<b>Total</b>	<b>348.46</b>	<b>284.41</b>

Other operating expenses include an amount of RON 110.47 million (2019: RON 53.06 million) representing restructuring expenses mainly in relation with outsourcing of activities for general surface services and an amount of RON 8.50 million (2019: RON 9.41 million) representing costs with digitalization initiatives at group level.

## 23. COST INFORMATION

For the years ended December 31, 2020 and December 31, 2019 the consolidated income statement includes the following personnel expenses:

	2020	2019
Wages and salaries	1,557.08	1,580.08
Other personnel expenses	263.75	239.56
<b>Total personnel expenses</b>	<b>1,820.83</b>	<b>1,819.64</b>

The above personnel expenses included the amount of RON 19.42 million, representing Group's contribution to state pension plan for the year ended December 31, 2020 (2019: RON 19.90 million).

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

	2020	2019
Depreciation and amortization	3,044.09	2,955.34
Impairment tangible and intangible assets	1,521.79	683.96
Write-ups tangible and intangible assets	(888.03)	(5.18)
<b>Total depreciation, amortization and net impairment</b>	<b>3,677.85</b>	<b>3,634.12</b>

Net impairment losses booked during the year ended December 31, 2020 for intangible assets and property, plant and equipment (including those classified as held for sale) were related mostly to Upstream segment in amount of RON 1,151.77 million, reflecting mainly impairment at CGU level and write-offs of exploration intangibles as described in Note 2, unsuccessful workovers and obsolete or replaced assets in Romania. These were partially offset by a write-up in amount of RON 518.65 million related to Brazi power plant in Downstream Gas segment (see Note 2). Net impairments in Downstream Oil segment were in amount of RON 0.59 million and in Corporate & Other segment in amount of RON 0.05 million.

Net impairment losses booked during the year ended December 31, 2019 for intangible assets and property, plant and equipment (including those classified as held for sale) were related to Upstream segment in amount of RON 669.15 million (including mainly impairments for replaced assets, unsuccessful workovers, assets held for sale and unsuccessful exploration assets in Romania), to Downstream Oil segment in amount of RON 4.84 million, Downstream Gas segment in amount of RON 3.82 million and Corporate & Other segment in the amount of RON 0.97 million.

In the consolidated income statement for the year ended December 31, 2020 net impairments are included under depreciation, amortization, impairments and write-ups in amount of RON (48.03) million (2019: RON 551.37 million) and under exploration expenses in amount of RON 681.79 million (2019: RON 127.42 million).

## 24. INTEREST INCOME AND INTEREST EXPENSES

	2020	2019
<b>Interest income</b>		
Interest income from receivables and other	118.91	86.86
Interest income from short term bank deposits	146.23	138.09
Unwinding income for other financial assets and positive effect of changes in discount rate and timing for Romanian State receivable	72.19	92.68
<b>Total interest income</b>	<b>337.33</b>	<b>317.63</b>
<b>Interest expenses</b>		
Interest expenses	(24.23)	(26.16)
Unwinding expenses for retirement benefits provision	(10.60)	(10.01)
Unwinding expenses for decommissioning provision, net of the unwinding income for related Romanian State receivable	(234.53)	(231.96)
Unwinding expenses and discounting for other items and negative effect of changes in discount rate and timing for Romanian State receivable	(26.08)	(8.85)
<b>Total interest expenses</b>	<b>(295.44)</b>	<b>(276.98)</b>
<b>Net interest revenues/ (expenses)</b>	<b>41.89</b>	<b>40.65</b>

Interest income from receivables and other in 2020 is mainly related to clearance of the arbitration proceedings initiated by OMV Aktiengesellschaft at the International Chamber of Commerce Paris against the Romanian Ministry of Environment.

## 25. OTHER FINANCIAL INCOME AND EXPENSE

	2020	2019
Net foreign exchange gains/(losses) from financing activities	(27.07)	(4.67)
Net gains/(losses) from investments and financial assets	-	(1.33)
Other financial expenses	(3.21)	(2.91)
<b>Other financial income and expenses</b>	<b>(30.28)</b>	<b>(8.91)</b>

## 26. TAXES ON INCOME

	2020	2019
Current income taxes	(238.07)	(699.81)
Deferred income taxes	50.38	57.69
<b>Taxes on income - (expense)/revenue</b>	<b>(187.69)</b>	<b>(642.12)</b>

The reconciliation of net deferred tax is as follows:

	2020	2019
Deferred tax, net January 1	1,470.02	1,412.51
Deferred tax, net December 31	1,533.74	1,470.02
<b>Changes in deferred tax</b>	<b>63.72</b>	<b>57.51</b>
thereof deferred tax expense in consolidated other comprehensive income	(5.16)	(0.18)
thereof deferred tax transferred to "held for sale"	18.50	-
thereof deferred tax revenue in the consolidated income statement	50.38	57.69
<b>Reconciliation</b>		
<b>Profit before tax</b>	<b>1,478.70</b>	<b>4,276.80</b>
Income tax rate applicable for Parent company	16%	16%
<b>Profit tax expense based on income tax rate of the Parent</b>	<b>(236.59)</b>	<b>(684.29)</b>
Effect of differing foreign tax rates	(1.20)	0.85
Profit tax expense based on applicable rates	(237.79)	(683.44)
Tax effect of items that are (non-deductible) / non-taxable	50.10	41.32
<b>Profit tax expense in the consolidated income statement</b>	<b>(187.69)</b>	<b>(642.12)</b>

In 2020, main amounts included under items that are (non-deductible) / non-taxable relate to fiscal credits.

## 27. EARNINGS PER SHARE

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

	December 31, 2020	December 31, 2019
Net profit attributable to stockholders of the parent	1,290.96	3,634.59
Weighted average number of shares	56,643,903,559	56,643,903,559
Earnings per share in RON	0.0228	0.0642

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

## 28. SEGMENT INFORMATION

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

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

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

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

**Upstream** activities consist of exploration, development and production of crude oil and natural gas and are focused on Romania, Bulgaria and Kazakhstan. Upstream products consisting of crude oil and natural gas are sold mainly inside of OMV Petrom Group.

**Downstream Oil** produces and delivers gasoline, diesel and other petroleum products to its customers. **Refining** division, part of Downstream Oil segment, operates one Romanian refinery, Petrobrazi, with an annual capacity of 4.5 million tons. **Marketing** division, part of Downstream Oil segment, delivers products to both retail and wholesale customers and operates in Romania, Bulgaria, Serbia and Republic of Moldova. OMV Petrom Group is the main player on the Romanian fuels market.

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

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

**Operating segments:**

December 31, 2020	Upstream	Downstream *	Downstream Oil	Downstream Gas	Downstream elimination	Corporate & Other	Total	Consolidation	Consolidated total
Intersegment sales	5,852.05	214.83	92.04	256.74	(133.95)	197.01	<b>6,263.89</b>	(6,263.89)	-
Sales with third parties	309.87	19,376.70	13,564.84	5,811.86	-	30.41	<b>19,716.98</b>	-	<b>19,716.98</b>
<b>Total sales</b>	<b>6,161.92</b>	<b>19,591.53</b>	<b>13,656.88</b>	<b>6,068.60</b>	<b>(133.95)</b>	<b>227.42</b>	<b>25,980.87</b>	<b>(6,263.89)</b>	<b>19,716.98</b>
<b>Operating result</b>	<b>(985.10)</b>	<b>2,317.41</b>	<b>1,060.30</b>	<b>1,257.11</b>	-	<b>(104.88)</b>	<b>1,227.43</b>	<b>239.66</b>	<b>1,467.09</b>
Total assets**	22,906.69	7,272.13	5,785.32	1,486.81	-	434.89	<b>30,613.71</b>	-	<b>30,613.71</b>
Additions in PPE/IA	2,917.04	813.21	805.03	8.18	-	22.89	<b>3,753.14</b>	-	<b>3,753.14</b>
Depreciation and amortization	2,138.06	860.10	749.59	110.51	-	45.93	<b>3,044.09</b>	-	<b>3,044.09</b>
Impairment losses/ (write-ups), net	1,151.77	(518.06)	0.59	(518.65)	-	0.05	<b>633.76</b>	-	<b>633.76</b>

\*) Sales Downstream = Sales Downstream Oil + Sales Downstream Gas – intersegmental elimination Downstream Oil and Downstream Gas;

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

**Information about geographical areas:**

December 31, 2020	Romania	Rest of Central Eastern Europe	Rest of Europe	Rest of world	Consolidated total
Sales with third parties*	17,066.90	2,627.14	-	22.94	<b>19,716.98</b>
Total assets**	29,688.26	925.45	-	-	<b>30,613.71</b>
Additions in PPE/IA	3,554.25	176.50	-	22.39	<b>3,753.14</b>

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

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

Sales with third parties made in Rest of Central Eastern Europe include sales made in Bulgaria amounting to RON 1,302.14 million in 2020.

**Operating segments:**

December 31, 2019	Upstream	Downstream *	Downstream Oil	Downstream Gas	Downstream elimination	Corporate & Other	Total	Consolidation	Consolidated total
Intersegment sales	9,059.89	234.00	109.00	241.52	(116.52)	199.70	<b>9,493.59</b>	(9,493.59)	-
Sales with third parties	481.49	24,973.93	18,236.98	6,736.95	-	30.05	<b>25,485.47</b>	-	<b>25,485.47</b>
<b>Total sales</b>	<b>9,541.38</b>	<b>25,207.93</b>	<b>18,345.98</b>	<b>6,978.47</b>	<b>(116.52)</b>	<b>229.75</b>	<b>34,979.06</b>	<b>(9,493.59)</b>	<b>25,485.47</b>
<b>Operating result</b>	<b>2,589.46</b>	<b>1,913.18</b>	<b>1,475.38</b>	<b>437.80</b>	-	<b>(156.00)</b>	<b>4,346.64</b>	<b>(101.58)</b>	<b>4,245.06</b>
Total assets**	23,802.46	6,808.65	5,738.25	1,070.40	-	465.62	<b>31,076.73</b>	-	<b>31,076.73</b>
Additions in PPE/IA	3,853.21	908.04	822.89	85.15	-	52.59	<b>4,813.84</b>	-	<b>4,813.84</b>
Depreciation and amortization	2,083.32	830.83	742.77	88.06	-	41.19	<b>2,955.34</b>	-	<b>2,955.34</b>
Impairment losses/ (write-ups), net	669.15	8.66	4.84	3.82	-	0.97	<b>678.78</b>	-	<b>678.78</b>

\*) Sales Downstream = Sales Downstream Oil + Sales Downstream Gas – intersegmental elimination Downstream Oil and Downstream Gas

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

**Information about geographical areas:**

December 31, 2019	Romania	Rest of Central Eastern Europe	Rest of Europe	Rest of world	Consolidated total
Sales with third parties*	21,565.86	3,848.88	41.66	29.07	<b>25,485.47</b>
Total assets**	29,857.21	807.59	-	411.93	<b>31,076.73</b>
Additions in PPE/IA	4,693.87	130.07	-	(10.11)	<b>4,813.84</b>

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

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

Sales with third parties made in Rest of Central Eastern Europe include sales made in Bulgaria amounting to RON 1,848.38 million in 2019.

Additions in PPE/IA from Rest of world include RON (42.43) million net decrease from reassessment of the decommissioning asset.

**29. AVERAGE NUMBER OF EMPLOYEES**

	December 31, 2020	December 31, 2019
<b>Total OMV Petrom Group</b>	<b>11,791</b>	<b>12,720</b>
thereof:		
OMV Petrom S.A.	10,949	11,814
Subsidiaries	842	906

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

## 30. RELATED PARTIES

The terms of the outstanding balances receivable from/payable to related parties are typically 0 to 120 days. The balances are unsecured and will be settled mainly in cash.

There are no guarantees given or paid to related parties as at December 31, 2020 and December 31, 2019.

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

During 2020, OMV Petrom Group had the following transactions with related parties (including balances as of December 31, 2020):

	Nature of transactions	Purchases	Balances payable
<b>OMV Petrom S.A. - parent company</b>			
OMV Supply & Trading Limited	Acquisition of crude oil and petroleum products	1,130.86	238.76
OMV Petrom Global Solutions S.R.L.	Financial, IT and other services	468.61	113.21
OMV Gas Marketing & Trading GmbH	Acquisition of natural gas and other	424.98	115.20
OMV Exploration & Production GmbH	Delegation of personnel and other	104.99	34.52
OMV Downstream GmbH (former OMV Refining & Marketing GmbH)	Acquisition of petroleum products and services	65.86	39.27
OMV Aktiengesellschaft	Delegation of personnel and other	31.51	38.71
OMV Gas & Power GmbH	Delegation of personnel and other	0.39	1.68
OMV Austria Exploration & Production GmbH	Acquisition of materials	0.12	-
OMV New Zealand Limited	Various services	0.06	0.06
OMV - International Services Ges.m.b.H.	Various services	0.01	-
<b>Total OMV Petrom S.A.</b>		<b>2,227.39</b>	<b>581.41</b>
<b>OMV Petrom Group subsidiaries</b>			
OMV Downstream GmbH (former OMV Refining & Marketing GmbH)	Acquisition of petroleum products, other materials and services	92.74	16.06
OMV Petrom Global Solutions S.R.L.	Financial, IT and other services	72.40	8.37
OMV Hungária Ásványolaj Korlátolt Felelősségű Társaság	Acquisition of bitumen	27.59	1.32
OMV - International Services Ges.m.b.H.	Various services	6.98	28.90
OMV Exploration & Production GmbH	Delegation of personnel and other	3.23	0.41
Borealis L.A.T GmbH	Acquisition of materials	1.15	-
OMV Aktiengesellschaft	Delegation of personnel and other	0.71	0.05
OMV Gas & Power GmbH	Various services	0.20	0.20
<b>Total subsidiaries</b>		<b>205.00</b>	<b>55.31</b>
<b>Total OMV Petrom Group</b>		<b>2,432.39</b>	<b>636.72</b>

	Nature of transactions	Revenues	Balances receivable
<b>OMV Petrom S.A. - parent company</b>			
OMV Gas Marketing & Trading GmbH	Sales of natural gas and other	333.96	0.45
OMV Deutschland Marketing & Trading GmbH & Co. KG	Sales of propylene	119.32	31.78
OMV Deutschland GmbH	Sales of propylene	111.37	-
OMV Downstream GmbH (former OMV Refining & Marketing GmbH)	Sales of petroleum products, delegation of personnel and other	91.34	3.02
OMV Supply & Trading Limited	Sales of petroleum products	29.54	-
OMV Exploration & Production GmbH	Delegation of personnel and other	26.08	3.14
OMV Petrom Global Solutions SRL	Various services	23.18	2.09
OMV Aktiengesellschaft	Delegation of personnel and other	11.92	2.61
OMV Austria Exploration & Production GmbH	Sale of fixed assets	0.33	-
Borealis L.A.T Romania s.r.l.	Various services	0.07	0.02
<b>Total OMV Petrom S.A.</b>		<b>747.11</b>	<b>43.11</b>
<b>OMV Petrom Group subsidiaries</b>			
OMV Petrom Global Solutions S.R.L.	Various services	1.77	0.19
OMV Česká republika, s.r.o.	Delegation of personnel	0.82	-
OMV Downstream GmbH (former OMV Refining & Marketing GmbH)	Delegation of personnel and other	0.65	1.71
OMV Exploration & Production GmbH	Delegation of personnel	0.52	0.16
OMV - International Services Ges.m.b.H.	Various services	-	12.59
<b>Total subsidiaries</b>		<b>3.76</b>	<b>14.65</b>
<b>Total OMV Petrom Group</b>		<b>750.87</b>	<b>57.76</b>

During 2020, OMV Petrom Group had the following interest expenses with related parties (including balances as of December 31, 2020 for interest payable):

	Interest expense	Balances interest payable
<b>OMV Petrom S.A. - parent company</b>		
OMV Petrom Global Solutions S.R.L.	1.87	0.14
<b>Total OMV Petrom S.A.</b>	<b>1.87</b>	<b>0.14</b>
<b>Total OMV Petrom Group</b>	<b>1.87</b>	<b>0.14</b>

There were no interest income and interest receivables with related parties in 2020.

In December 2019, OMV Petrom S.A. signed a contract to acquire OMV Offshore Bulgaria GmbH, the transaction being completed in August 2020 (see Note 34 and Note 35 for more details). This transaction was accounted for as asset acquisition, given that the acquired entity does not constitute a business as defined by IFRS 3 Business Combinations.

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

	Nature of transactions	Purchases	Balances payable
<b>OMV Petrom S.A. - parent company</b>			
OMV Supply & Trading Limited	Acquisition of crude oil and petroleum products	2,111.41	204.02
OMV Petrom Global Solutions SRL	Financial, IT and other services	450.73	101.29
OMV Gas Marketing & Trading GmbH	Acquisition of natural gas and other	356.56	51.55
OMV Exploration & Production GmbH	Delegation of personnel and other	85.49	34.91
OMV Refining & Marketing GmbH	Acquisition of petroleum products, other materials and services	58.02	30.15
OMV Aktiengesellschaft	Delegation of personnel and other	35.64	30.84
OMV Gas & Power GmbH	Delegation of personnel and other	5.66	2.84
OMV Deutschland GmbH	Acquisition of propylene	0.10	-
OMV Gas Marketing & Trading Hungária Kft.	Various services	0.01	-
OMV - International Services Ges.m.b.H.	Various services	0.01	-
Trans Gas LPG Services S.R.L.	Various services	0.01	-
<b>Total OMV Petrom S.A.</b>		<b>3,103.64</b>	<b>455.60</b>
<b>OMV Petrom Group subsidiaries</b>			
OMV Gas Marketing & Trading GmbH	Acquisition of natural gas	159.53	-
OMV Refining & Marketing GmbH	Acquisition of petroleum products, other materials and services	130.58	19.09
OMV Petrom Global Solutions SRL	Financial, IT and other services	77.69	15.36
OMV Hungária Ásványolaj Korlátolt Felelősségű Társaság	Acquisition of bitumen	27.08	1.17
OMV Gas Marketing & Trading Hungária Kft.	Acquisition of natural gas	18.09	-
OMV - International Services Ges.m.b.H.	Various services	7.66	81.39
OMV Exploration & Production GmbH	Delegation of personnel and other	4.99	0.63
OMV Gas & Power GmbH	Delegation of personnel and other	0.77	-
OMV Aktiengesellschaft	Delegation of personnel and other	0.73	0.06
Borealis	Various services	-	0.01
<b>Total subsidiaries</b>		<b>427.12</b>	<b>117.71</b>
<b>Total OMV Petrom Group</b>		<b>3,530.76</b>	<b>573.31</b>

	Nature of transactions	Revenues	Balances receivable
<b>OMV Petrom S.A. - parent company</b>			
OMV Gas Marketing & Trading GmbH	Sales of electricity and other	322.69	36.37
OMV Deutschland GmbH	Sales of propylene	298.76	44.57
OMV Refining & Marketing GmbH	Sales of petroleum products, delegation of personnel and other	78.47	14.54
OMV Exploration & Production GmbH	Delegation of personnel and other	28.88	4.31
OMV Petrom Global Solutions SRL	Various services	23.92	2.39
OMV Aktiengesellschaft	Delegation of personnel and other	11.65	2.65
Borealis	Various sales and services	0.03	0.01
OMV Austria Exploration & Production GmbH	Sale of fixed assets	0.03	-
Energy Production Enhancement S.R.L.	Various services	0.02	-
Trans Gas LPG Services S.R.L.	Various services	0.01	-
<b>Total OMV Petrom S.A.</b>		<b>764.46</b>	<b>104.84</b>
<b>OMV Petrom Group subsidiaries</b>			
OMV Petrom Global Solutions SRL	Various services	4.24	(0.04)
OMV Gas Marketing & Trading GmbH	Sales of natural gas	1.55	-
OMV Refining & Marketing GmbH	Delegation of personnel and other	0.95	0.14
OMV Česká republika, s.r.o.	Delegation of personnel and other	0.83	-
OMV Exploration & Production GmbH	Delegation of personnel and other	0.16	0.02
Borealis	Various sales and services	0.10	-
OMV Offshore Bulgaria GmbH	Various services	0.06	0.01
OMV - International Services Ges.m.b.H.	Various services	-	12.75
<b>Total subsidiaries</b>		<b>7.89</b>	<b>12.88</b>
<b>Total OMV Petrom Group</b>		<b>772.35</b>	<b>117.72</b>

During 2019, OMV Petrom Group had the following interest expenses with related parties (including balances as of December 31, 2019 for interest payable):

	Interest expense	Balances interest payable
<b>OMV Petrom S.A. - parent company</b>		
OMV Petrom Global Solutions S.R.L.	1.67	0.14
<b>Total OMV Petrom S.A.</b>	<b>1.67</b>	<b>0.14</b>
<b>Total OMV Petrom Group</b>	<b>1.67</b>	<b>0.14</b>

There were no interest income and interest receivables with related parties in 2019.

### Ultimate parent

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

The consolidated financial statements of OMV Aktiengesellschaft are prepared in accordance with IFRS as adopted by the EU and in accordance with the supplementary accounting regulations pursuant to Sec. 245a, Para. 1 of the Austrian Company Code (UGB) and are available on OMV's website:

[http://www.omv.com/portal/01/com/omv/OMV\\_Group/investors-relations/reportsandpresentations](http://www.omv.com/portal/01/com/omv/OMV_Group/investors-relations/reportsandpresentations).

### Key management remuneration

For 2020, the General Meeting of Shareholders of OMV Petrom S.A. approved an annual gross remuneration corresponding to a net remuneration for each member of the Supervisory Board amounting to EUR 20,000 per year (2019: 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 (2019: 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 (2019: EUR 2,000 per meeting).

As at December 31, 2020 and 2019, there were no loans or advances granted by any of the Group companies to the members of the Supervisory Board. As at December 31, 2020 and 2019, the Group companies did not have any obligations regarding pension payments to former members of the Supervisory Board.

The aggregate amount of remuneration and other benefits, including benefits in-kind, paid in 2020 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 69.40 million (2019: RON 81.51 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, HSSE and sustainability metrics) in line with company strategy, to align the interests of management and shareholders, including both short and long term plans:
  - ▶ performance bonus program of 1 year;
  - ▶ long term incentive as multi-year 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.

### 31. DIRECT AND INDIRECT INVESTMENTS OF OMV PETROM GROUP WITH AN INTEREST OF AT LEAST 20% AS OF DECEMBER 31, 2020

Company Name	Share interest percentage	Consolidation treatment**	Activity	Country of incorporation
<b>Subsidiaries (&gt;50%)</b>				
Tasbulat Oil Corporation LLP	100.00%	FC	Oil exploration and production in Kazakhstan	Kazakhstan
Kom Munai LLP	100.00%	FC	Oil exploration and production in Kazakhstan	Kazakhstan
Petrom Moldova S.R.L.	100.00%	FC	Fuel distribution	Moldova
OMV Petrom Marketing S.R.L.	100.00%	FC	Fuel distribution	Romania
OMV Petrom Aviation S.R.L.*	100.00%	FC	Airport services	Romania
OMV Offshore Bulgaria GmbH	100.00%	FC	Exploration activities	Austria
OMV Petrom Gas S.R.L.	99.99%	FC	Gas supply	Romania
Petromed Solutions S.R.L.	99.99%	FC	Medical services	Romania
OMV Srbija DOO	99.96%	FC	Fuel distribution	Serbia
OMV Bulgaria OOD	99.90%	FC	Fuel distribution	Bulgaria
Petrom Exploration & Production Limited	99.99%	NC	Exploration and production services	Isle of Man
<b>Associated companies (20-50%)</b>				
OMV Petrom Global Solutions S.R.L.	25.00%	EM	Financial, IT and other services	Romania
Asociatia Romana pentru Relatia cu Investitorii	20.00%	NAE	Public representation	Romania

\*) 1 (one) equity interest owned through OMV Petrom Marketing S.R.L.

\*\*) Consolidation treatment:

FC Full consolidation

EM Accounted for at equity (associated company)

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

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

On August 31, 2020, OMV Petrom S.A. completed the acquisition of 100% shares in OMV Offshore Bulgaria GmbH, which holds an interest in Han Asparuh offshore block in Bulgaria, from OMV Exploration & Production GmbH. The new subsidiary is consolidated starting with the acquisition date.

Starting with October 31, 2020, the subsidiary Petrom Exploration & Production Ltd was deconsolidated due to immateriality.

During 2019, the legal form of OMV Petrom Aviation was changed from a joint stock company to a limited liability company, Trans Gas LPG Services S.R.L. was liquidated and Brazi Oil & Anghelescu Prod Com S.R.L. was sold.

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

## 32. CASH FLOW STATEMENT INFORMATION

### a) Drawings and repayments of borrowings

The following tables show the reconciliation of the changes in liabilities arising from financing activities:

	Interest-bearing debts	Lease liabilities	Total
<b>1 January 2020</b>	<b>330.13</b>	<b>700.94</b>	<b>1,031.07</b>
Repayments of interest bearing debts and principal portion of lease liabilities	(91.80)	(130.31)	(222.11)
Increase in interest bearing debts	41.55	-	41.55
<b>Total cash flows relating to financing activities</b>	<b>(50.25)</b>	<b>(130.31)</b>	<b>(180.56)</b>
Lease liabilities recognized during the year	-	118.61	118.61
Net other changes	4.09	(8.85)	(4.76)
<b>Total non-cash changes</b>	<b>4.09</b>	<b>109.76</b>	<b>113.85</b>
<b>31 December 2020</b>	<b>283.97</b>	<b>680.39</b>	<b>964.36</b>
thereof short-term	175.03	137.33	312.36
thereof long-term	108.94	543.06	652.00

	Interest-bearing debts	Lease liabilities	Total
<b>1 January 2019</b>	<b>549.30</b>	<b>169.44</b>	<b>718.74</b>
Repayments of interest bearing debts and principal portion of lease liabilities	(226.85)	(100.80)	(327.65)
<b>Total cash flows relating to financing activities</b>	<b>(226.85)</b>	<b>(100.80)</b>	<b>(327.65)</b>
Lease liabilities recognized during the year, including transition to IFRS 16	-	637.38	637.38
Net other changes	7.68	(5.08)	2.60
<b>Total non-cash changes</b>	<b>7.68</b>	<b>632.30</b>	<b>639.98</b>
<b>31 December 2019</b>	<b>330.13</b>	<b>700.94</b>	<b>1,031.07</b>
thereof short-term	132.25	128.79	261.04
thereof long-term	197.88	572.15	770.03

## b) Non-controlling interest

There were no changes in non-controlling interest during 2020 and 2019.

## c) Investments and other financial assets

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

## d) Proceeds in relation to non-current assets

In 2020, proceeds in relation to non-current assets include the amount of RON 140.19 million representing the encashment by OMV Petrom S.A. from the third tranche of the government grant for Brazi power plant investment (2019: RON 226.59 million representing the first two tranches). For details please see Note 9 b).

## e) Transfer of business

In 2020, OMV Petrom Group did not transfer any business.

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

<b>Net assets at the date of transfer</b>	<b>2019</b>
Intangible assets and property, plant and equipment	129.63
Provisions for decommissioning and restoration	(103.87)
Other adjustments related to items transferred	1.05
<b>Net assets</b>	<b>26.81</b>

<b>Gain/(Loss) on transfer of business</b>	<b>2019</b>
Proceeds on transfer of business	78.58
Net assets disposed of	(26.81)
<b>Gain on transfer of business</b>	<b>51.77</b>

<b>Net cash flow from transfer of business</b>	<b>2019</b>
Net consideration received	78.58
<b>Net cash inflow on transfer of business</b>	<b>78.58</b>

The gain on transfer of business comprises the amount of RON 52.82 million reflected under “Gains on disposal of non-current assets” (see Note 20) and losses related to other items in amount of RON 1.05 million.

#### f) Disposal of Group companies

During 2020 and 2019, OMV Petrom Group did not dispose of any subsidiary. In 2020 the Group received an advance for the expected sale of Kazakhstan subsidiaries, in amount of RON 71.59 million.

#### g) Exploration cash-flows

The amount of cash outflows in relation to exploration activities incurred by OMV Petrom Group for the year ended December 31, 2020 is of RON 253.70 million (2019: RON 497.10 million), out of which the amount of RON 144.58 million is related to operating activities (2019: RON 129.51 million) and the amount of RON 109.12 million represents cash outflows for exploration investing activities (2019: RON 367.59 million).

#### h) Other non-monetary adjustments

Other non-monetary adjustments include mainly the change in the fair value of derivatives through income statement and impact from reassessment of long-term receivables.

#### i) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash at banks and on hand	303.15	334.24
Short-term deposits	7,147.49	6,679.30
<b>Cash and cash equivalents</b>	<b>7,450.64</b>	<b>7,013.54</b>

### 33. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

Level 2: Using inputs for the asset or liability, other than quoted prices, that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). In order to determine the fair value for financial instruments, usually forward prices of commodities, as obtained from the market, and foreign exchange rates are used as inputs to the valuation model. Net amount of assets and liabilities associated with assets held for sale are measured at fair value. The basis of the valuation was fair values less cost of disposal derived from an agreed sales price.

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

#### Fair value hierarchy of financial assets and assets held for sale as at December 31, 2020

	Level 1	Level 2	Level 3	Total
Derivatives designated and effective as hedging instruments	-	16.33	-	<b>16.33</b>
Other derivatives	-	631.19	-	<b>631.19</b>
Net amount of assets and liabilities associated with assets held for sale	-	448.22	-	<b>448.22</b>
<b>Total</b>	<b>-</b>	<b>1,095.74</b>	<b>-</b>	<b>1,095.74</b>

#### Fair value hierarchy of financial liabilities as at December 31, 2020

	Level 1	Level 2	Level 3	Total
Derivatives designated and effective as hedging instruments	-	(19.58)	-	<b>(19.58)</b>
Other derivatives	-	(453.06)	-	<b>(453.06)</b>
Other financial liabilities	-	-	(15.88)	<b>(15.88)</b>
<b>Total</b>	<b>-</b>	<b>(472.64)</b>	<b>(15.88)</b>	<b>(488.52)</b>

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

	Level 1	Level 2	Level 3	Total
Derivatives designated and effective as hedging instruments	-	227.01	-	<b>227.01</b>
Other derivatives	-	54.63	-	<b>54.63</b>
<b>Total</b>	<b>-</b>	<b>281.64</b>	<b>-</b>	<b>281.64</b>

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

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

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

The financial liabilities whose fair values differ from their carrying amounts as at December 31, 2020 and December 31, 2019, as well as the respective differences are presented in the tables below. The fair value of these financial liabilities was determined by discounting future contractual cash flows using interest rates prevailing at reporting date for similar liabilities with similar maturities, obtained from the market for similar transactions (Level 2 – observable inputs).

The management assessed that the fair values of other financial assets and financial liabilities that were measured at amortized cost approximate their carrying amounts.

#### December 31 2020

Financial liabilities	Fair value	Carrying amount	Difference
Interest-bearing debts	286.66	283.96	2.70
<b>Total</b>	<b>286.66</b>	<b>283.96</b>	<b>2.70</b>

#### December 31 2019

Financial liabilities	Fair value	Carrying amount	Difference
Interest-bearing debts	335.55	330.13	5.42
<b>Total</b>	<b>335.55</b>	<b>330.13</b>	<b>5.42</b>

### Offsetting of financial instruments

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

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

**Offsetting of financial assets 2020**

	Gross amounts	Amounts set-off in the statement of financial position	Net amounts presented in the statement of financial position*	Assets with right of set-off (not offset)	Net amounts
Derivative financial instruments	647.52	-	647.52	(429.41)	218.11
Trade receivables	1,300.85	(42.72)	1,258.13	-	1,258.13
Other financial assets	255.45	-	255.45	(62.33)	193.12
<b>Total</b>	<b>2,203.82</b>	<b>(42.72)</b>	<b>2,161.10</b>	<b>(491.74)</b>	<b>1,669.36</b>

\*) Net amounts presented in the statement of financial position are detailed in Note 9.

**Offsetting of financial liabilities 2020**

	Gross amounts	Amounts set-off in the statement of financial position	Net amounts presented in the statement of financial position*	Liabilities with right of set-off (not offset)	Net amounts
Derivative financial instruments	472.64	-	472.64	(429.41)	43.23
Trade payables	2,901.36	(42.72)	2,858.64	-	2,858.64
Other financial liabilities	371.62	-	371.62	(62.33)	309.29
<b>Total</b>	<b>3,745.62</b>	<b>(42.72)</b>	<b>3,702.90</b>	<b>(491.74)</b>	<b>3,211.16</b>

\*) Net amounts presented in the statement of financial position are detailed in Note 16.

**Offsetting of financial assets 2019**

	Gross amounts	Amounts set-off in the statement of financial position	Net amounts presented in the statement of financial position*	Assets with right of set-off (not offset)	Net amounts
Derivative financial instruments	281.64	-	281.64	(188.31)	93.33
Trade receivables	1,958.23	(66.37)	1,891.86	-	1,891.86
Other financial assets	452.65	(88.45)	364.20	-	364.20
<b>Total</b>	<b>2,692.52</b>	<b>(154.82)</b>	<b>2,537.70</b>	<b>(188.31)</b>	<b>2,349.39</b>

\*) Net amounts presented in the statement of financial position are detailed in Note 9.

**Offsetting of financial liabilities 2019**

	Gross amounts	Amounts set-off in the statement of financial position	Net amounts presented in the statement of financial position*	Liabilities with right of set-off (not offset)	Net amounts
Derivative financial instruments	213.72	-	213.72	(188.31)	25.41
Trade payables	3,527.17	(154.82)	3,372.35	-	3,372.35
Other financial liabilities	264.52	-	264.52	-	264.52
<b>Total</b>	<b>4,005.41</b>	<b>(154.82)</b>	<b>3,850.59</b>	<b>(188.31)</b>	<b>3,662.28</b>

\*) Net amounts presented in the statement of financial position are detailed in Note 16.

## 34. COMMITMENTS AND CONTINGENCIES

### Commitments

As at December 31, 2020 the total commitments engaged by OMV Petrom Group for investments (except those in relation to joint arrangements) are in amount of RON 796.26 million (2019: RON 914.34 million), out of which RON 623.75 million related to property, plant and equipment (2019: RON 737.72 million) and RON 172.51 million for intangible assets (2019: RON 176.62 million).

The Group has additional commitments in relation to joint arrangements - for details please refer to Note 35.

### Litigations

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

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

### Contingent liabilities

The production facilities and properties of all Group companies are subject to a variety of environmental protection laws and regulations in the countries where they operate; provisions are made for probable obligations arising from environmental protection measures.

In December 2019, OMV Petrom S.A. signed a contract to acquire OMV Offshore Bulgaria GmbH, which holds a stake in the Han Asparuh exploration license in Bulgaria. The transaction was completed at the end of August 2020, by means of acquisition of 100% shares in OMV Offshore Bulgaria GmbH from OMV Exploration & Production GmbH.

The contract between OMV Petrom S.A. and the seller OMV Exploration & Production GmbH includes contingent variable payments to be made by OMV Petrom S.A. which are dependent on reserves determinations at final investment decision milestone and at reserves revision milestone. The reserves determinations will have to be certified by a jointly appointed suitable qualified and experienced third party reserves auditor.

At the date of these financial statements, a reliable estimate of the potential variable payments and timing, if any, cannot be made. Therefore, no provision has been recognized in this respect in OMV Petrom's Group Financial Statements as at December 31, 2020.

On April 16, 2020, the Bulgarian Commission for Protection of Competition announced the initiation of an investigation regarding the determination of the prices on fuel market. OMV Bulgaria EOOD is subject to this investigation, among other major manufacturers and retailers on Bulgarian market. During 2020 two requests of providing information were received from authorities and the responses were submitted in due time. The sanctions for antitrust infringements are up to 10% of the total company's turnover of the respective undertaking for the financial year prior to the sanctioning decision. At the date of these financial statements, we are not able to evaluate the outcome of the investigation and no provision was recorded in this respect.

In addition, OMV Petrom Group has contingent liabilities representing performance guarantees in amount of RON 371.84 million as at December 31, 2020 (2019: RON 196.73 million).

## 35. INTERESTS IN JOINT ARRANGEMENTS

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

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

In December 2019, OMV Petrom S.A. signed a contract to acquire OMV Offshore Bulgaria GmbH, which at that time held a 30% stake in the Han Asparuh exploration license in Bulgaria, alongside Repsol and Total. In June 2020, this percentage increased to 42.86% following Repsol’s exit from the joint venture, as approved by the Bulgarian regulator. The remaining interest of 57.14% is held by Total, which is also the operator. The transaction was completed at the end of August 2020, by means of acquisition of 100% shares in OMV Offshore Bulgaria GmbH from OMV Exploration & Production GmbH.

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

OMV Petrom’s share of the aggregate capital commitments for these joint arrangements as at December 31, 2020 is amounting RON 44.73 million (2019: RON 57.86 million), mainly in relation to offshore activities requirements.

## 36. RISK MANAGEMENT

### Capital risk management

OMV Petrom Group continuously manages its capital adequacy to ensure that its entities will be optimally capitalized, in accordance with their risk exposure, in order to maximize the return to stakeholders. The capital structure of OMV Petrom Group consists of equity attributable to stockholders of the parent (comprising share capital, reserves and revenue reserves as disclosed in the “Consolidated Statement of Changes in Equity”) and debt (which includes the short and long term Interest bearing debts and Lease liabilities). Capital risk management at OMV Petrom Group is part of the value management and it is based on permanent review of the gearing ratio of the Group.

Net debt is calculated as interest-bearing debts and lease liabilities, less cash and cash equivalents. Due to the significant cash balance, the Group reported a net cash position of RON 6,486.28 million at December 31, 2020 (2019: net cash position of RON 5,982.47 million).

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

### Significant accounting policies

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

### Financial risk management objectives and policies

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

To ensure that management takes risk-informed decisions, with adequate consideration of actual and prospective information/data, OMV Petrom Executive Board has empowered a dedicated Risk Management function with the objective to centrally lead and coordinate the Group's risk management-related processes. This department ensures that well-defined and consistent risk management processes, tools, and techniques are applied across the entire organization. Risk ownership is assigned to the managers who are best suited to oversee and manage the respective risk. OMV Petrom's consolidated risk profile is reported twice a year to the Executive Board and to Supervisory Board's Audit Committee.

### Risk exposures and responses

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

The main purpose of the OMV Petrom's EWRM process is to deliver value through risk-based management and decision-making. OMV Petrom Group is constantly enhancing the EWRM process based on internal and external requirements. The process is facilitated by OMV Petrom Group-wide IT system supporting the established individual process steps (risk identification, risk analysis, risk evaluation, risk treatment, reporting, and risk review through continuous monitoring of changes to the risk profile), guided by the ISO 31000 risk management framework.

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

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

### Climate Change Risks

OMV Petrom consistently evaluates the Group's exposure to risks related to climate-change in addition to the market price risk from European Emission Allowances. Such risks comprise the potential impact of acute or chronic events like more frequent extreme weather events or systemic changes to our business model due to a changing legal framework or substitution of OMV Petrom Group's products due to changing consumer behavior. OMV Petrom Group recognizes climate change as a key global challenge. We thus integrate the related risks and opportunities into the development of the Group's business strategy.

### Commodity Market Price Risk

In regard to the market price risk, OMV Petrom Group 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 Group's risk profile and liquidity. The market price risks of OMV Petrom Group commodities are closely analysed, quantified, and evaluated.

Financial derivative instruments are used where appropriate to hedge the main industry risks resulting from changes in commodity prices which could have a negative effect on assets, liabilities or expected future cash flows.

Hedges are generally placed in the legal entities where the underlying exposure exists. When certain conditions are met, the Group may elect to apply IFRS 9 hedge accounting principles in order to recognize the offsetting effects in the income statement of changes in the fair value of the hedging instruments at the same time with the hedged items.

In 2020 the risk management objective for the refinery margin hedges for diesel and jet changed and therefore the corresponding hedging relationships were discontinued. The accumulated gains and losses remain in the cash flow hedging reserve upon realization of the hedged items. The gains and losses related to the forecast sales and purchases of specific

products for which the hedged future cash flows were no longer expected to occur, being affected by COVID-19 outbreak, were immediately reclassified from other comprehensive income.

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives are not designated as hedging instruments, they are classified as fair value through profit or loss (FVPL) in accordance with IFRS 9.

### Cash flow hedge accounting

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

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

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

In case of refinery margin hedges for diesel and jet, the product crack spread is designated as the hedged item, buying Brent crude oil on a fixed basis and selling the product on a fixed basis. The crack spread for diesel and jet is a separately identifiable component and can therefore represent the specific risk component designated as hedged item. In case of refinery margin hedges on fuel oil, forecast sales and purchase transactions for fuel oil and oil products are designated as the hedged items. In 2020 most of the refinery margin hedges were discontinued due to the change in the risk management objective.

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

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

### Nominal and fair values of derivatives designated and effective as hedging instruments

2020	Forecast purchases	Forecast sales	Total
Nominal value	91.87	147.85	239.72
Below one year	91.87	147.85	239.72
More than one year	-	-	-
Fair value - assets	-	16.33	16.33
Fair value - liabilities	14.18	5.40	19.58
Cash flow hedge reserve (before tax)	(14.18)	10.93	(3.25)
<b>2019</b>	<b>Forecast purchases</b>	<b>Forecast sales</b>	<b>Total</b>
Nominal value	313.77	4,120.59	4,434.36
Below one year	193.60	2,794.79	2,988.39
More than one year	120.17	1,325.80	1,445.97
Fair value - assets	26.76	200.25	227.01
Fair value - liabilities	-	194.03	194.03
Cash flow hedge reserve (before tax)	26.76	6.22	32.98

The tables above show the fair values of derivative financial instruments designated and effective as hedging instruments together with their notional amounts. The notional amount, reflected gross, is the amount of a derivative's underlying asset and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of the transactions outstanding at the year-end and are not indicative of either the market risk or the credit risk. Fair values are presented in lines "Other financial assets" and "Other financial liabilities" in consolidated statement of financial position.

#### Cash flow hedging - Impact of hedge accounting

2020	Forecast purchases	Forecast sales	Total
Cash flow hedge reserve as of 1 January 2020 (net of tax)	22.48	5.22	27.70
Gains/(losses) of the period recognized in OCI	(134.60)	467.80	333.20
Amounts reclassified to income statement	-	(369.69)	(369.69)
Amounts reclassified from OCI because the hedged future cash flows no longer expected to occur	14.79	(1.62)	13.17
Amounts transferred to cost of non-financial item	78.87	-	78.87
Tax effects	6.55	(15.44)	(8.89)
<b>Cash flow hedge reserve as of 31 December 2020 (net of tax)</b>	<b>(11.91)</b>	<b>86.27</b>	<b>74.36</b>
Thereof discontinued hedges	-	77.09	77.09
Hedge ineffectiveness recognized in income statement	(3.81)	9.72	5.91

2019	Forecast purchases	Forecast sales	Total
Cash flow hedge reserve as of 1 January 2019 (net of tax)	-	4.22	4.22
Gains/(losses) of the period recognized in OCI	32.52	(7.83)	24.69
Amounts reclassified from OCI	(5.76)	9.02	3.26
Tax effects	(4.28)	(0.19)	(4.47)
<b>Cash flow hedge reserve as of 31 December 2019 (net of tax)</b>	<b>22.48</b>	<b>5.22</b>	<b>27.70</b>
Thereof discontinued hedges	-	-	-
Hedge ineffectiveness recognized in income statement	0.05	(0.34)	(0.29)

For "Forecast purchases" the hedge ineffectiveness is included in line item "Purchases (net of inventory variation)" in the consolidated income statement. The hedge ineffectiveness and recycling of "Forecast sales" for hedges where a risk component of the non-financial item is designated as the hedged item in the hedging relationship are shown in line item "Sales revenues" in the consolidated income statement.

#### Foreign exchange risk management

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

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

#### Foreign currency sensitivity analysis

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

	Assets		Liabilities	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Thousand USD	248,806	153,748	234,593	130,547
Thousand EUR	125,303	72,171	234,242	250,068

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

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

#### +10% increase in the foreign currencies rates

	Thousand USD Impact (i)		Thousand EUR Impact (ii)	
	2020	2019	2020	2019
Profit/ (Loss)	1,503	14	(10,894)	(17,790)
Other comprehensive income	(82)	2,306	-	-

#### -10% decrease in the foreign currencies rates

	Thousand USD Impact (i)		Thousand EUR Impact (ii)	
	2020	2019	2020	2019
Profit/ (Loss)	(1,503)	(14)	10,894	17,790
Other comprehensive income	82	(2,306)	-	-

(i) This is mainly attributable to the exposure on USD of derivative financial assets, cash and cash equivalents, derivative financial liabilities and trade payables at the year end.

(ii) This is mainly attributable to the exposure on EUR of trade receivables, interest bearing debts, lease liabilities and trade payables.

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

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

#### Interest rate risk management

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

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

**Analysis for change in interest rate risk**

	Balance as at		Effect of 1% change in interest rate, before tax	
	December 31,2020	December 31,2019	December 31,2020	December 31,2019
Short term borrowings	173.97	130.70	1.74	1.31
Long term borrowings	108.98	198.00	1.09	1.98

In 2020 and 2019, there was no need for hedging the interest rate risk, hence no financial instruments were used for such purpose.

**Counterparty Credit Risk management**

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

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

**Liquidity risk management**

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

**37. EXPENSES GROUP AUDITOR**

In 2020 the statutory auditor Ernst & Young Assurance Services SRL had a contractual statutory audit fee of EUR 545,000 (2019: EUR 586,920) (for the statutory audit of the standalone and consolidated annual financial statements of the Company and of its Romanian subsidiaries and associates). Services contracted with the statutory auditor other than audit services were of EUR 128,920 (2019: EUR 120,400), representing mainly other assurance services in relation to certain reports issued by the Company that are not prohibited by Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council.

Other EY network firms performed audit services for the OMV Petrom subsidiaries of EUR 153,900 (2019: EUR 147,900) and non-audit services that are not prohibited by Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council of EUR 5,946 (2019: EUR 2,405).

## 38. SUBSEQUENT EVENTS

There are no significant events subsequent to the reporting date.

These financial statements, presented from page 88 to page 163, comprising the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements, were approved on March 17, 2021.

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Christina Verchere,  
Chief Executive Officer  
President of the EB

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Alina Popa,  
Chief Financial Officer  
Member of the EB

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Christopher Veit,  
Member of the EB  
Upstream

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Franck Neel,  
Member of the EB  
Downstream Gas

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Radu Căprău,  
Member of the EB  
Downstream Oil

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Irina Dobre,  
Vice President Finance Department

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Nicoleta Drumea,  
Head of Financial Reporting



Consolidated report on  
payments to governments

## Consolidated report on payments to governments for the year 2020

### Introduction

Chapter 8 of the Annex 1 of Ministry of Finance Order 2844/2016 for approval of Accounting Regulations according to International Financial Reporting Standards (hereinafter the “Regulation”), transposing Chapter 10 of the Accounting Directive (2013/34/EU) of the European Parliament and of the Council, requires that large undertakings and public interest entities that are active in the extractive industry or logging of primary forests prepare and publish a report on payments to governments on an annual basis. Large undertakings and public interest entities which are under the obligation to prepare consolidated financial statements are required to prepare a consolidated report on payments to governments.

OMV Petrom S.A. (hereinafter the “Company”) is, on one side, operating in the extractive industry and, on the other side, admitted for trading on Bucharest Stock Exchange (with shares) and London Stock Exchange (with global depository receipts). Therefore, in accordance with the above mentioned Regulation, the Company has prepared the following consolidated report (hereinafter the “Report”) on payments to governments. The Report covers OMV Petrom S.A. and its subsidiaries performing extractive activities (Upstream business segment).

The ‘Basis of Preparation’ section provides information to the reader about the contents of the Report. This section also includes information on the type of payment for which disclosure is required and on the manner in which OMV Petrom has interpreted the Regulation for the purpose of the preparation of the Report.

From a socio-economic perspective, our Company and its subsidiaries (hereinafter OMV Petrom group) have a larger contribution to countries in which they operate, than the reportable payments under the Regulation. OMV Petrom group companies make payments to governments also in connection with other segments of activity, not only Upstream, i.e. Downstream Oil, Downstream Gas, Corporate & Other. Beside government payments, OMV Petrom group companies contribute to the economies of the countries in which they operate by providing jobs for employees and contractors, purchasing goods and materials from local suppliers and undertaking social investment activities.

### Basis of preparation

#### Reporting entities

Under the requirements of the Regulation, OMV Petrom is required to prepare a consolidated report covering payments made to Governments by itself and any subsidiary undertakings included in the consolidated group financial statements, which is active in the extractive industry. Therefore, the reporting entities for the purpose of this Report are OMV Petrom S.A. (Romania), Tasbulat Oil Corporation LLP (Kazakhstan), KOM-Munai LLP (Kazakhstan) and OMV Offshore Bulgaria GmbH (Bulgaria). For the last one, no payments in scope of this report are to be reported for the year 2020.

#### Activities within the scope of the Report

Payments made by OMV Petrom group to governments in connection with any of the following activities: exploration, prospection, discovery, development and extraction of minerals, oils and natural gas deposits or other materials (“extractive activities”) are presented in this Report.

#### Government

A “government” is defined as any national, regional or local authority of a country and includes a department, agency or entity undertaking that is controlled by the government authority.

#### Project

According to the Regulation, the payments are reported:

- ▶ on government and governmental body basis;
- ▶ by type of payment;
- ▶ on “project” basis, where possible.

For the purpose of this report “project” is defined as the operational activities which are governed by a single contract, licence, lease, concession or similar legal agreement, and form the basis for payment liabilities to the government. Where these agreements as per the aforementioned definition are substantially interconnected, they are treated for the purpose of this Report as a single project.

“Substantially interconnected” is defined as a set of operationally and geographically integrated contracts, licences, leases or concessions or related agreements with substantially similar terms that are signed with a government, giving rise to payment liabilities. Such agreements can be governed by a single contract, joint venture, production sharing agreement or other overarching legal agreement.

There may be instances - for example, corporate income taxes - where it is not possible to attribute the payment to a single project and therefore OMV Petrom discloses these payments at the country level in the current Report.

### Cash and Payments in Kind

In accordance with the Regulation, amounts have to be reported on a cash basis, meaning that they are reported in the period in which they are paid, regardless of the period in which they are accounted for on an accruals basis.

Refunds are also reported in the period in which they are received and will either be offset against payments made in the period or be shown as negative amounts in the Report.

Payments in kind made to a government are converted to an equivalent cash value based on the most appropriate and relevant valuation method for each payment type. This can be at cost or market value and an explanation is provided in the Report to help explain the valuation method. If applicable, the related volumes would be also included in the Report.

### Materiality

Payments made as a single payment or a series of related payments that fall below EUR 100,000 within a financial year are excluded from this Report.

### Reporting currency

Reporting currency is Romanian Leu (RON). Payments made in currencies other than RON are translated for the purposes of this Report at the average exchange rate of the reporting period.

## Payment types

### Production Entitlements

Under production sharing agreements (PSA's) the host government is entitled to a share of the oil and gas produced and these entitlements are often paid in kind. OMV Petrom group has not made such payments in the year.

### Taxes

Taxes levied on income, production or profits of companies are reported. Refunds will be netted against payments and shown accordingly. Consumption taxes, personal income taxes, social security contributions, sales taxes are not reported under the Regulation. Also, other taxes such as property and environmental taxes are not reported.

### Royalties

Royalties are payments for the rights to extract oil and gas resources, typically at set percentage of production value.

### Dividends

In accordance with the Regulation, dividends are reported when paid to a government in lieu of production entitlements or royalties. Dividends that are paid to a government as an ordinary shareholder are not reported, as long as the dividends are paid in the same terms and conditions as to other shareholders.

For the year ended 31 December 2020, OMV Petrom group had no such reportable dividend payments to a government.

### Bonuses

Bonuses include signature, discovery and production bonuses in each case to the extent paid in relation to the relevant activities. OMV Petrom group has not made any payments in the category in the year.

### Fees

These include licence fees, rental fees, entry fees and other considerations for licences and/or concessions, respectively for access to the area where extractive activities will be performed.

The Report excludes fees paid to a government for administrative services that are not specifically related to extractive activities or access to extractive resources. In addition, payments made in return for services provided by a government are also excluded.

### Infrastructure Improvements

The Report should include payments made by OMV Petrom group for infrastructure improvements such as a building of a road or bridge that serve the community, irrespective if OMV Petrom group pays the amounts to non-government entities. These are reported either when the cash contribution was paid to the government or when the relevant assets are handed over to the government or made available for use by the local community. Payments that have a social investment nature, donations or sponsorships are excluded from the Report.

## Payments overview

The overview table below shows the relevant payments to governments that were made by OMV Petrom group in the year that ended December 31, 2020.

Out of the seven payment types that are required by the Regulation to be reported upon, OMV Petrom group did not pay any dividends, production entitlements, bonuses or infrastructure improvements that met the Regulation definition and therefore these categories are not shown.

(in thousands of RON)	Taxes (on income, production or profit)	Royalties	Fees (license, rental, entry and others)	Total of Payments
Romania	683,785	584,356	128,467	1,396,607
Kazakhstan	53,958	-	4,044	58,002
<b>Total</b>	<b>737,742</b>	<b>584,356</b>	<b>132,511</b>	<b>1,454,609</b>

## Payments by project, government and type of payment

(in thousands of RON)	Taxes (on income, production or profit)	Royalties	Fees (license, rental, entry and others)	Total Payments
<b>ROMANIA</b>				
<b>Payments per project</b>				
Onshore production zones	-	444,381	107,613	<b>551,994</b>
Onshore Joint Operations	-	5,085	-	<b>5,085</b>
Offshore Black Sea	61,046	134,890	3,457	<b>199,393</b>
Payments not attributable to projects	622,739	-	17,397	<b>640,136</b>
<b>Total</b>	<b>683,785</b>	<b>584,356</b>	<b>128,467</b>	<b>1,396,607</b>
<b>Payments per Government</b>				
State Budget	683,785	584,356	-	<b>1,268,140</b>
National Company of Forests - Romsilva	-	-	74,244	<b>74,244</b>
Various Local City Councils	-	-	21,928	<b>21,928</b>
National Authority for Electricity Regulation (ANRE)	-	-	17,397	<b>17,397</b>
National Agency for Mineral Resources (ANRM)	-	-	11,656	<b>11,656</b>
Offshore Operations Regulatory Authority (ACROPO)	-	-	2,770	<b>2,770</b>
CONPET S.A.	-	-	472	<b>472</b>
<b>Total</b>	<b>683,785</b>	<b>584,356</b>	<b>128,467</b>	<b>1,396,607</b>
<b>KAZAKHSTAN</b>				
<b>Payments per project</b>				
Tasbulat, Turkmenoi, Aktas	19,860	-	2,763	<b>22,623</b>
Komsomolskoe	34,097	-	1,281	<b>35,379</b>
<b>Total</b>	<b>53,958</b>	<b>-</b>	<b>4,044</b>	<b>58,002</b>
<b>Payments per Government</b>				
State Revenue Committee <sup>1</sup>	53,958	-	-	<b>53,958</b>
Licensed Research and Development Organizations <sup>2</sup>	-	-	2,581	<b>2,581</b>
Akimat of Mangystau Region <sup>3</sup>	-	-	1,096	<b>1,096</b>
Training centers, universities <sup>4</sup>	-	-	367	<b>367</b>
<b>Total</b>	<b>53,958</b>	<b>-</b>	<b>4,044</b>	<b>58,002</b>
<b>Total</b>	<b>737,742</b>	<b>584,356</b>	<b>132,511</b>	<b>1,454,609</b>

<sup>1</sup> State Revenue Committee of the Ministry of Finance of the Republic of Kazakhstan;

<sup>2</sup> Various expenses with regard to research and development works;

<sup>3</sup> Financing of various projects under the joint control of the Akimat of Mangystau Region and OMV Petrom;

<sup>4</sup> Financing of various expenses with regard to university training centers as agreed within the concession.

Christina Verchere  
Chief Executive Officer  
President of the EB

Alina Popa  
Chief Financial Officer  
Member of the EB

Christopher Veit  
Member of the EB  
Upstream

Franck Neel  
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Downstream Gas

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None of the future projections, expectations, estimates or prospects in this report should in particular be taken as forecasts or promises nor should they be taken as implying any indication, assurance or guarantee that the assumptions on which such future projections, expectations, estimates or prospects have been prepared or the information and statements contained herein are accurate or complete. As a result of these risks, uncertainties and assumptions, you should in particular not place reliance on these forward-looking statements as a prediction of actual results or otherwise. This report does not purport to contain all information that may be necessary in respect of the Company or its shares and in any event each person receiving this report needs to make an independent assessment. The Company undertakes no obligation publicly to release the results of any revisions to any forward-looking statements in this report that may occur due to any change in its expectations or to reflect events or circumstances after the date of this report. This report and its contents are proprietary to the Company and neither this document nor any part of it may be reproduced or redistributed to any other person.

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

In 2020, 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 2020 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, 2020.

Hence, the separate financial statements of OMV Petrom prepared in accordance with Ministry of Finance Order no. 2844/2016 with all subsequent modifications and clarifications 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, 2021.

Furthermore, we have reviewed and approved the separate report on payments to governments for the year 2020, 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 with all subsequent modifications and clarifications, transposing Chapter 10 of the Accounting Directive (2013/34/EU) of the European Parliament and of the Council.

March 17, 2021

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 Corallilor 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), Bulgaria (exploration and marketing of petroleum products) and Serbia and Republic of Moldova (only marketing of petroleum products).

An 21.35% 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 depository 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, 2020 was RON 20,590,133,380.

The Company is the parent company of OMV Petrom Group ("the Group"). Separate individual financial statements for the year ended December 31, 2020 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](http://www.omvpetrom.com) and [www.omv.com](http://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, 2020 and 2019 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, 2020 is presented below:

	No. of shares	Percent
OMV Aktiengesellschaft	28,894,467,414	51.011%
Romanian State	11,690,694,418	20.639%
Fondul Proprietatea S.A.	3,963,548,078	6.997%
Legal entities and private individuals	12,095,398,425	21.353%
<b>Total</b>	<b>56,644,108,335</b>	<b>100.000%</b>

As of December 31, 2020 the number of GDRs was 181,611, equivalent of 27,241,650 ordinary shares, representing 0.048% of the share capital.

As of December 31, 2019 the number of GDRs was 182,780, equivalent of 27,417,000 ordinary shares, representing 0.048% 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, 2020 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

Starting with October 31, 2020, the subsidiary Petrom Exploration & Production Ltd was deconsolidated due to immateriality.

### d) Asset acquisitions and/or alienation

In June 2020, OMV Petrom was selected as the winner of the open international tender held by the Ministry of Economy and Sustainable Development of Georgia for the Offshore Block II. The exploration block covers a total area of 5,282 km<sup>2</sup> and is located on the shelf and within the economic zone of the Georgian offshore Black Sea. The Production Sharing Contract was signed in March 2021. As an operator, OMV Petrom will establish an operating company in Georgia, proceed with geoscientific and environmental studies in 2021 and prepare for a large offshore 3D seismic campaign in 2022, which will allow for a detailed evaluation of this block's potential.

In August 2020, OMV Petrom completed the transaction for the acquisition of OMV Offshore Bulgaria GmbH and entered the Han-Asparuh exploration block. Han-Asparuh is located in the western Black Sea in Bulgaria, south of the Neptun Deep Block in Romania, and has an area of 13,819 km<sup>2</sup> with maximum water depths of over 2,000 m. OMV Petrom holds a 42.86% share in the license, alongside Total (57.14%) who is the operator.

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. The transfer is expected to be finalized in H1/21. In addition, the outsourcing of non-core activities (e.g. latest main outsourcing project referring to general surface services estimated to be finalized at the end of Q1/21) ensures an Upstream organization able to react in a more flexible, efficient and timely manner to both external and internal factors, by reducing the level of complexity and increasing efficiency and performance.

In December 2020, OMV Petrom signed the transaction for the sale of its 100% shareholding in Kom-Munai LLP (KOM) and Tasbulat Oil corporation LLP (TOC) to Magnetic Oil Limited, with closing expected in H1/21.

### e) Overview of the main results of the company

Despite the difficult context, our 2020 financial performance was resilient. Our operating cash flow reached RON 5.4 bn, decreasing to a much lower extent than Operating Result mainly due to the strong working capital management. Our CAPEX was down by 29% yoy, as we rephased and optimized long-term delivery projects and postponed non-committed investments. We also reduced operational costs

and exploration and appraisal expenditures. These contributed to our financial strength, which allowed us to distribute dividends of RON 1.8 bn for the financial year 2019, an increase of 15% compared to the previous year.

Looking at each business segment, in **Upstream**, we are proud of containing the production decline below the 5% guidance and of our ability to maintain the opex stable.

In **Downstream Oil**, the 92% utilization level of our refinery was excellent, significantly above the European average of

around 72%<sup>i</sup>. We capitalized on the flexibility of our supply chain, selling more equity products in all our markets, while reducing third-party supply. Solid sales margins complemented the good operational performance of our sales channels.

In **Downstream Gas** we had the best year on record from three perspectives: gas sales volumes (mostly regulatory driven leading to enhanced trading activity), net electrical output and segment Operating Result

### 1.1.1 General evaluation elements

Item, RON mn	2020	2019	2018
Net income	1,382	3,564	3,880
Net turnover	15,437	19,944	17,782
Operating Result	1,499	4,017	4,883
Operating expenses	15,011	16,769	13,989
Liquidity (cash and cash equivalents)	7,305	6,795	4,901

In 2020, OMV Petrom's Operating Result amounted to RON 1,499 mn, compared to RON 4,017 mn in 2019, influenced mainly by the unfavorable market environment, as the lower prices and the COVID-19 crisis had a negative impact on company's

performance, and by the net impairments triggered by the revision of price assumptions.

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

RON mn	2020	2019	2018
Romania	15,239	19,641	17,574
Rest of CEE	193	252	196
Rest of Europe	-	42	-
Rest of world	5	9	11
<b>TOTAL</b>	<b>15,437</b>	<b>19,944</b>	<b>17,782</b>

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;

<sup>i</sup> Aggregated from monthly European refinery utilization rates in Monthly Oil Market Reports published by OPEC.

▶ 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 2020, OMV Petrom supplied natural gas to the regulated market, 7.0 TWh, according to the allocation in force until June. 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-2020, of which 560 filling stations in Romania and the other 233 in the neighboring countries: Bulgaria, Serbia and the Republic of Moldova. Retail market share<sup>ii</sup> in the operating region stood at 32%, flat versus the previous year, as our sales evolved in line with the market, despite increased competition.
- ▶ **Electricity:** OMV Petrom owns and operates the combined cycle Brazi power plant. In 2020, the power plant generated a net electrical output of 4.1 TWh (2019: 3.4 TWh) in the context of 95% availability, thus covering approximately 7% of Romania's electricity production, (2019: 6%). 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 the regulated power market in H2/20 with 0.18 TWh at the price of RON 223/MWh. For the delivery of the power, OMV Petrom uses the national power grid of Transelectrica.

<sup>ii</sup> 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).

### 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 (%)		
	2020	2019	2018	2020	2019	2018
Operating revenues *	16,510	20,789	18,888	98	98	98
thereof Turnover	15,437	19,944	17,782	-	-	-
Financial revenues **	378	409	299	2	2	2
<b>TOTAL</b>	<b>16,888</b>	<b>21,199</b>	<b>19,188</b>	<b>100</b>	<b>100</b>	<b>100</b>

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.

\*\* Financial revenues indicator contains Interest income, Net gains from investments and financial assets, Foreign exchange revenues from financing activities.

### d) New products

In 2020, there were no new products.

In 2019, 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%.

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.

#### 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		
	2020	2019	2018
Upstream	55	70	86
Downstream Oil	9,505	13,503	13,046
Downstream Gas	5,842	6,335	4,609
Corporate and Other	35	36	40
<b>Total</b>	<b>15,437</b>	<b>19,944</b>	<b>17,782</b>

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

The Company's turnover in 2020 decreased by 23% compared to 2019, to RON 15,437 mn. Turnover decreased following negative evolution of the commodity prices and lower sales volumes for petroleum products and electricity

#### 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 Petrobrazi 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 2020, OMV Petrom processed 691 thousand tons imported crude oil (2019: 867 thousand tons).

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		
	2020	2019	2018
Upstream	310	481	528
Downstream Oil	13,565	18,237	17,075
Downstream Gas	5,812	6,737	4,884
Corporate and Other	30	30	37
<b>Total</b>	<b>19,717</b>	<b>25,485</b>	<b>22,523</b>

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 %		
	2020	2019	2018	20/19	19/18	18/17
Total refined product sales (kt)	4,993	5,462	4,987	(9)	10	(2)
thereof retail sales (kt)	2,619	2,847	2,743	(8)	4	1
Gas sales (TWh)	57	55	47	4	16	(8)
thereof to third parties (TWh)	47.7	47.2	38.9	1	21	(14)
Total net electrical output (TWh)	4.2	3.4	3.8	23	(11)	41

OMV Petrom Group's total refined product sales amounted to 4,993 kt in 2020, representing a 9% decrease compared to 2019, following weaker demand.

Group retail sales volumes were 8% lower than in 2019, reaching 2,619 kt, as effect of reduced traffic during the coronavirus pandemic. In Romania, retail sales reached 2,248 kt in 2020, 6% lower than in 2019. Therefore, in 2020, the average throughput per station in Romania decreased to 4.88 mn liters (2019: 5.27 mn liters), driving the overall decrease of this indicator at the Group level to 4.03 mn liters (2019: 4.43 mn liters).

In 2020, the non-retail business continued to be a strong contributor to the overall OMV Petrom result, despite market challenges posed by the coronavirus pandemic and the economic slowdown. The commercial bulk sales business continued to perform well, capitalizing on market opportunities for white products (diesel and gasoline). Business development initiatives targeted the sale of marine fuel oil with low sulfur content and of bitumen, while several initiatives for digitalization and operational excellence were developed, with a high focus on customers centricity. Jet fuel sales to the aviation industry were the most affected by lockdowns and mobility restrictions imposed widely across Europe. In this context, our focus was to optimize processes

and costs. Overall, group non-retail sales decreased by 9% compared to 2019, mainly due to weaker demand in the context of the pandemic and the steep drop in the aviation business. In Romania, non-retail sales were 906 kt, 21% below the previous year's level.

2020 was a challenging year for our gas business from the regulatory point of view. In June 2020, the obligation to trade on the centralized markets was replaced with the Gas Release Program (GRP) introducing for producers the obligation to offer a fixed percentage of their production, in different products (monthly, quarterly, seasonal, annual) with starting prices determined by the market prices recorded in past periods for similar products.

In 2020, our gas sales performance was outstanding. OMV Petrom's total gas sales volumes increased by 4% yoy to 57.03 TWh, historically the largest sales volume since the start of our operations. The uplift is based on 2019 transactions to comply with the regulatory obligations for the regulated and the centralized markets and was supported also by high acquisitions from third parties. The gas sales volume increase is a great achievement, given the challenging market environment in 2020, with prices and margins under pressure due to the competitive and volatile gas market.

Given the legislation in force, in 2020 OMV Petrom supplied the gas regulated market, delivering 7.0 TWh to the households and district heating for households suppliers, as per the set allocation, at the fixed price of RON 68/MWh.

At the same time, we concluded significant sale transactions on the centralized markets, with a total gas volume of 16 TWh contracted for deliveries until end-2021, at an average price in line with market prices. Some of these transactions were completed within the GRP framework. OMV Petrom fully complied with its obligation.

The foundation for an upward trend in sales is a well-diversified supply portfolio, blending equity gas with a diversified mix of other sources. In addition to mid- and long-term activities, short-term solutions were developed in 2020, all creating a supply portfolio tailored to our needs. Faced with declining equity production, we used acquisitions from third parties to cover all our sales commitments and sustainably preserve our end-user portfolio.

At the end of 2020, OMV Petrom had 2.0 TWh of gas in storage, following successful management of the extraction and injection cycles. Even if the minimum stock obligation is no longer in force, OMV Petrom is committed to ensure security of supply for its entire customer portfolio, therefore optimizing the stored gas volume will always remain one of our objectives.

2020 was a golden year for our power business. Brazi power plant had the largest contribution to the Downstream Gas segment result since the start of commercial operations in 2012. The record high net electrical output of 4.1 TWh (2019: 3.4 TWh) covered a share of 7% (2019: 6%) in the national power generation mix. With the annual planned shutdown completed in October 2020, on time, on budget and with no HSSE incidents, the power plant had a technical availability of 95%.

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.

Capitalizing on the power plant technical capabilities and flexibility, significant additional revenues were obtained also from the balancing and ancillary services markets. Its significant importance for the security and stability of the national energy system was also proved in 2020, given the

challenging supply and consumption power profile impacted by the pandemic crisis.

The Brazi power plant had a legal obligation to supply the regulated power market in H2/20 with 0.18 TWh at the price of RON 223/MWh.

For 2021, we expect the refining margins to be above USD 4/bbl<sup>iii</sup>. Also the demand for oil products and power is expected to be above the 2020 level, while the demand for gas to be broadly similar to 2020.

In Downstream Oil, the refinery utilization rate is expected to be above 95%, while the total refined product sales are forecasted to be higher compared to 2020.

In Downstream Gas, we expect lower gas sales volumes, in part due to regulatory requirements in 2020, and the net electrical output to be higher vs. 2020. Also, a planned shutdown of the Brazi power plant is scheduled in Q2/21.

#### **b) Company's market share. Main competitors**

With daily hydrocarbon production of 138.0 kboe/d and an oil/gas split of roughly 46%/54% in 2020, OMV Petrom accounts for almost the entire crude oil production and for approximately half of the gas production in Romania.

According to our estimates, national gas consumption increased by around 5% in 2020 as compared to 2019, mainly driven by higher offtake by gas fired power plants and the fertilizer industry. Regarding the supply sources, the national consumption was covered by a decreasing Romanian production and a lower share of imports as compared to last year, given the high volumes available in underground storages at the beginning of the year. OMV Petrom supplied approximately 44% of Romania's total estimated gas consumption in 2020, 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 AIK Energy, while OMV Petrom also imported significant volumes.

On the power market, as per currently available data from the grid operator, national electricity consumption decreased to 58 TWh in 2020 (2019: 62 TWh). The national electricity production dropped by 6%, to 55 TWh (2019: 59 TWh). In

<sup>iii</sup> The budget is based on the assumption of around 5 USD/bbl for refining margins for 2021.

terms of power generation mix in 2020, the significantly lower power production from coal was not fully compensated by the slightly higher production from natural gas. Market coupling continued to play an important role in 2020 in terms of spot power prices, but also in the context of Romania being a net power importer for the year overall. Based on partial data available at this time, the main power generators in 2020 were: Hidroelectrica, Nuclearelectrica, Complexul Energetic Oltenia. The coal power plants covered ~17% of the total national electricity production, the gas-powered power plants ~18%, the hydropower plants ~28%, the nuclear-power plant ~21%, while the renewable plants covered the remainder ~16%. The Brazi power plant covered 7% of Romania's electricity production in 2020.

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 2020, the refineries processed a total quantity of approximately 10.3 mn tons of crude<sup>iv</sup>.

Retail market share in the operating region<sup>v</sup> stood at 32%, flat versus the previous year, as our sales evolved in line with the market, 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		
	2020	2019	2018
Average for the year	10,949	11,814	12,498

The average number of employees decreased in 2020 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, 2020, the OMV Petrom S.A. workforce comprises 69.8% employees with a high school diploma or higher degrees in oil engineering and other fields (technical/financial/legal etc., thereof 42.2% higher degrees and 27.6% 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, with certain particularities due to the

<sup>iv</sup> Only crude oil processed (other feedstock not included). Data source: National Institute of Statistics (INS) and OMV Petrom calculations;

<sup>v</sup> 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).

pandemic context. 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 applicable within OMV Petrom led to a high number of labor litigations through which employees requested the granting of certain rights deriving from the CLA. At the time of this report, just a few of these types of litigations are still in progress, although in a significant decreasing number across the country. OMV Petrom considers that the respective rights were granted and 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 starting with 2015. OMV Petrom took all possible actions to prevent a further increase in likelihood of litigation risk and 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 and the provisions of the new agreement were drafted and negotiated taking into consideration the litigation experience. 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 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 2020, the exploration expenditure amounted to RON 187 mn, compared to RON 427 mn in 2019, as an effect of lower drilling activities and lower data acquisition as a response to current environment.

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 2020, total expenses incurred by ICPT were in the amount of RON 19.7 mn (2019: RON 20.4 mn) and in 2021 are expected to reach RON 40.6 mn. Capital expenditure was in the amount of RON 2.4 mn (2019: RON 1.8 mn), while for 2021 it is anticipated to be around RON 2.9 mn.

### 1.1.8. Evaluation of the company's risk management activity

#### Risk management

The main purpose of the OMV Petrom's Enterprise-Wide Risk Management (EWRM) process is to deliver value through risk-based management and decision-making. OMV Petrom is constantly enhancing the EWRM process based on internal and external requirements. The process is facilitated by a Group-wide IT system supporting the established individual process steps (risk identification, risk analysis, risk evaluation, risk treatment, reporting, and risk review through continuous monitoring of changes to the risk profile), guided by the ISO 31000 risk management framework.

#### Risk management governance

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 approach and objectives throughout the Group.

To ensure that management takes risk-informed decisions, with adequate consideration of actual and prospective information, the Executive Board has empowered a dedicated Risk Management function with the objective to centrally lead and coordinate the Group's risk management-related processes. This department ensures that well-defined and consistent risk management processes, tools, and techniques are applied across the entire organization. Risk ownership is assigned to the managers who are best suited to oversee and manage the respective risk. OMV Petrom's consolidated risk profile is reported twice a year to the Executive Board and to Supervisory Board's Audit Committee.

#### Risk management process

As mentioned, the risk management system and its effectiveness are monitored by the Audit Committee of the Supervisory Board via regular reports.

**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 conscious 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 quantitative 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.

The risk management process, implemented through OMV Petrom's EWRM framework, combines **bottom-up and top-down processes**, each employee being responsible for managing the risks within their responsibilities. Paying attention to every risk makes risk management a holistic process.

The risks identified in the **bottom-up** risk process by operational staff during day-to-day business management are assessed against a mid-term time horizon of three years. Risks are identified in the bottom-up process during day-to-day business. Department heads are responsible for initiating the risk analysis, which includes selection of the appropriate risk identification techniques. These include not only interviews, workshops, surveys and analyses of historical losses, but also information on risks documented in risk registers or loss data bases. Heat maps or risk matrices are used to support the assessment process and serve to identify probability ranges and the related consequences if risks were to materialize.

Senior management evaluates **top-down** risks to provide a strategic perspective of risks across a longer time horizon. Permanently scanning the horizon to identify emerging risks and having regular risk meetings, the senior management have the full perspective on strategic risks landscape. This enables capturing new trends and developments of the operating environment and industry best practice, and thereby enables the Group to achieve its long term objectives.

#### Risk taxonomy

The Group considers short-, medium-, and long-term risks per the horizons noted below:

- ▶ Short-term risks – risks that may impact near-term financial results, including those that may materialize within the current annual reporting cycle;
- ▶ Medium-term risks – risks that may materially impact our financial results due to longer-term manifestation,

including those that may materialize over a three-year timeframe and might impact the Mid-Term Plan;

- ▶ Long-term risks – risks that may fundamentally impact the viability of our long-term strategy and business model, including those that may materialize over a ten-year timeframe.

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

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, analysed, and managed consistently. 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.

To assess **short-term liquidity risk**, the budgeted operating and financial cash inflows and outflows throughout OMV Petrom are monitored and analysed 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.

The risks within OMV Petrom's EWRM system are organized into the following categories: **market and financial, operational, and strategic**.

#### **Market and Financial Risks**

Regarding 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 Group's risk profile and liquidity. The market price risks of OMV Petrom commodities are closely analysed, quantified, and evaluated. Corresponding optimization and hedging activities are undertaken to mitigate those risks.

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

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

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

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

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. 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. A special focus is given to process safety risks, where OMV Petrom Group's policy is "Zero harm, No losses". 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 analysed, 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



Strategic risk	Details
<b>Political &amp; Regulatory</b>	In relation to political and regulatory risk, the Company is engaging in dialogue with various authorities on national and regional level on topics of relevance for the industry and monitors regulatory developments. In 2020, we saw several fiscal and regulatory initiatives put in discussion and/or implemented. This increases legislative volatility with influence on the overall business environment.
<b>Reserve replacement</b>	The natural decline of our mature oil and gas fields corroborated with a declining demand influence the Reserve Replacement Rate (RRR). The strategy of OMV Petrom Group considers projects intended to improve the RRR.
<b>Cyber threats</b>	The Group IT infrastructure may experience a massive disruption that can lead to the loss of access or the destruction of critical information. Therefore, this critical risk is constantly monitored and the internal IT landscape is upgraded regularly, both proactively and reactively.
<b>Global oil &amp; gas demand</b>	Demand in the oil and gas markets is affected by global factors, which may lead to increased volatility in terms of both prices and volumes. Gas prices may also be impacted by various regional developments, and their volatility also varies.
<b>Human capital</b>	The global trends determine us to consider and change human capital strategy in order to adapt to the market.
<b>Technology &amp; Innovation</b>	The developments in innovation capabilities within the energy sector lead us to increase our efforts in developing new technologies constantly.
<b>Climate change</b>	The OMV Petrom climate change risk management approach is addressed from both perspectives: how climate change affects the Company and how the Company impacts the environment. This is in line with the TCFD recommendations corroborated with the EU Non-Financial Reporting Directive.

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 longer-term 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 (oil and gas market demand volatility, climate change, political and regulatory framework, reserve replacement rate, 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.

### **Climate Change Risk Management**

OMV Petrom is the first Romanian company to support the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). OMV Petrom is gradually implementing these recommendations to increase disclosure.

OMV Petrom Executive Board members discuss quarterly the current and upcoming environmental, climate, and energy-related policies and regulations; related developments in the fuels and gas market; the status of innovation projects implementation; and progress on achieving sustainability-related targets. OMV Petrom focuses on evaluating the potential vulnerabilities of the Group to climate change (e.g., water scarcity, droughts, floods, and landslides), the impact of the Group's activities on the environment, and the mitigation actions that will ensure the transition to a low-carbon environment (reduction of carbon emissions, compliance with new regulatory requirements).

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, considering a wider range of uncertainty. The most substantive climate-related changes in the oil and gas industry are expected to arise on a longer time scale. Therefore, management pays close attention to climate change-related long-term risks and opportunities and takes these into account in strategic decision-making. 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 2021**

All the below is based on the assumption of no significant lockdowns by year end.

For the full year 2021, OMV Petrom expects the average Brent oil price to range between USD 50 /bbl and USD 55/bbl.

We expect the refining margins to be above USD 4/bbl<sup>vi</sup>. Also the demand for oil products and power is expected to be above the 2020 level, while the demand for gas to be broadly similar to 2020.

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

In Upstream, we aim to maintain production decline at around 5% vs. 2020, excluding portfolio optimization. We will continue to focus on the most profitable barrels. As such, we expect to close the transfer of 40 marginal fields to Dacian Petroleum and the divestment of Kazakhstan assets to Magnetic Oil Limited in H1/21. We plan investments, excluding acquisitions of RON 1.8 bn for drilling up to 40 new wells and sidetracks and for performing more than 700 workovers. As to exploration expenditures, the estimated amount for 2021 is around RON 0.2 bn. The planned activities include the drilling of up to two exploration commitment wells, a new large onshore 3D seismic campaign, seismic data processing towards maturing future drilling candidates in Bulgaria and preparations for an offshore seismic data acquisition campaign in Georgia. As part of our regional expansion endeavors, in addition to the activities mentioned above in Bulgaria, we signed the Production Sharing Contract for the Georgian Offshore Exploration Block II in March 2021. As an operator, OMV Petrom will establish an operating company in Georgia, proceed with geoscientific and environmental studies in 2021 and prepare for a large offshore 3D seismic campaign in 2022, which will allow for a detailed evaluation of this block's potential.

<sup>vi</sup> The budget is based on the assumption of around 5 USD/bbl for refining margins for 2021.

In Downstream Oil, the refinery utilization rate is expected to be above 95%, while the total refined product sales are forecasted to be higher compared to 2020.

In Downstream Gas, we expect lower gas sales volumes, in part due to regulatory requirements in 2020, and the net electrical output to be higher vs. 2020. Also, a planned shutdown of the Brazi power plant is scheduled in Q2/21.

### Investments for 2021

At OMV Petrom Group level, we expect to generate a positive free cash flow after dividends. CAPEX (including capitalized exploration and appraisal and excluding acquisitions) is currently anticipated to be around RON 2.9 bn.

### b) Capital expenditures (CAPEX) and other additions

Investments <sup>1)</sup> , RON mn	2020	2019	2018
Upstream	2,279	3,342	4,549
Downstream Oil	607	556	920
Downstream Gas	9	100	26
Corporate and Other	22	90	1
<b>Total</b>	<b>2,916</b>	<b>4,087</b>	<b>5,495</b>

1) Include amounts for fixed assets acquisitions, financial investments, advance payments on fixed assets, land deeds, leases and excludes increases from reassessment of provisions. Starting 2019, the figures 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 2020 amounted to RON 2,916 mn, lower by 29% compared to 2019.

Investments in Upstream activities (RON 2,279 mn) represented 78% of 2020 total, being 32% lower than in 2019, mainly due to lower development drilling and exploration activities as a response to the current environment and to the recognition in 2019 of assets under IFRS 16 "Leases" for a long-term contract.

Downstream Oil investments amounted to RON 607 mn in 2020 investments were performed mostly at Petrobrazi refinery – continuing the investments to increase the bio-blending capacity, securing longterm logistic access through railway lines, modernization and automation projects in the

With regards to our Neptun Deep strategic project, we outline that we remain keen to see it developed and we expect the Offshore Law to be amended in the first part of 2021, as recently stated by the Romanian authorities.

Within our partnership with Auchan, we plan to open up to 100 MyAuchan stores in the upgraded Petrom-branded filling stations.

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 2020 are presented in section

tank farm area and various works performed in the context of the refinery planned shutdown. 2019 investments amounted to RON 556 mn were 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.

Downstream Gas investments (RON 9 mn) were considerably lower than 2019 (RON 100 mn) mainly due to works related to Brazi power plant planned shutdown in Q2/19.

Corporate & Other investments amounted to RON 22 mn, lower as compared to 2019 (RON 90 mn), mainly as a result of the 2019 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		
	2020	2019	2018
Upstream	(1,018)	2,515	3,365
Downstream Oil	1,101	1,311	1,243
Downstream Gas	1,311	448	273
Corporate and Others	(109)	(163)	(114)
Operating Result Consolidation <sup>1</sup>	214	(94)	117
<b>Total</b>	<b>1,499</b>	<b>4,017</b>	<b>4,883</b>

<sup>1</sup> Operating Result Consolidation result represents the inter-segmental profit elimination

During 2020, in the **Upstream** segment, Operating Result amounted to a loss of RON (1,018) mn, compared to RON 2,515 mn profit in 2019, mainly driven by lower oil and gas prices and by the net impairments triggered by the revision of price assumptions, which were partly compensated by lower Upstream taxation, exploration expenses and production costs. The Operating Result was also impacted by the net income from consolidated subsidiaries and equity accounted investments in amount of RON 116 mn (2019: net gain of RON 58 mn). Average Urals crude prices decreased by 35% compared to 2019 to USD 41.58/bbl. Domestic crude oil and NGL production was 23.38 mn bbl, 3% down compared with 2019, mainly due to the natural decline. Domestic gas production was 27.13 mn boe, 6% lower compared to the 2019 level, due to the natural decline in the main gas fields (Totea Deep and Lebada East), the one-time effect of surface works in the Totea-Hurezani area and maintenance activities, partly counterbalanced by the contribution of well 4461 Totea South. Production cost in Romania was USD 10.92/bbl, 1% lower vs. 2019, mainly due to ongoing cost optimization, which compensated for the lower production available for sale; in RON terms, it decreased by 1% to RON 46.27/boe.

In the **Downstream Oil** segment, Operating Result decreased to RON 1,101 mn, as compared to RON 1,311 mn in 2019, impacted by weaker refining margins, lower volumes sold in the context of the coronavirus pandemic and the planned shutdown in July. The negative effects were offset to a large extent by the positive impact from CO2 certificates sale, middle distillate margin hedges, good operational performance of our sales channels and strict cost management. Operating result was

also impacted by the net income from consolidated subsidiaries and equity accounted investments in amount of RON 481 mn (2019: RON 494 mn). In 2020, the OMV Petrom indicator refining margin decreased by USD 1.79/bbl vs. 2019 to USD 2.89/bbl, as a result of falling product spreads mainly for gasoline, jet and diesel. The refinery utilization rate came in at 92% (2019: 97%), reflecting the two-week planned shutdown in July and lower demand following mobility restrictions, but supported by placing more equity products on all our markets while reducing third-party supply.

In the **Downstream Gas** segment, Operating Result was RON 1,311 mn, as compared to RON 448 mn in 2019, reflecting record-high contribution from the power business, built on power forward contracts, complemented by balancing and ancillary services markets revenues. The gas business reflected a very good end-user portfolio resilience. The result also reflects one off revenues booked in Q2/20 representing the compensation for higher costs incurred in 2019 for the power regulated sales and full reversal of impairments for Brazi gas-fired power plant amounting to RON 519 mn before tax, following revision of the long-term power and CO2 price assumptions. Operating result was also impacted by the net income from consolidated subsidiaries and equity accounted investments in amount of RON 67 mn (2019: RON 63 mn). Brazi power plant generated a net electrical output of 4.15 TWh (2019: 3.38 TWh).

Operating Result in the **Corporate and Other** segment amounted to RON (109) mn, (2019: RON (163) 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 2020, OMV Petrom operated 193 commercial oil and gas fields in Romania (end-2019: 193).

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). Part of existing assets from former Arpechim refinery (not operational since 2011) are currently used as storage for excisable products (gasoline, diesel, FAME, additives) and for crude oil.

In 2020, 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 560 retail filling stations in Romania and 233 stations in the neighboring countries of Bulgaria, Serbia and the Republic of Moldova.

Number of retail filling stations per country	2020	2019	2018
Romania	560	556	558
Republic of Moldova	77	81	82
Bulgaria	93	94	93
Serbia	63	62	61
<b>Total</b>	<b>793</b>	<b>793</b>	<b>794</b>

### OMV Petrom S.A.

Tangible assets, RON mn (Net Book Value)	Balance at 31.12.2020	Balance at 31.12.2019
Land, land rights and buildings, incl. buildings on third-party property	1,323	1,411
Oil and gas assets	18,872	18,931
Plant and machinery	4,797	4,424
Other fixtures and fittings, tools and equipment	353	421
Assets under construction	528	408
<b>Total tangible assets</b>	<b>25,872</b>	<b>25,594</b>

## 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

<b>Tangible assets, RON mn (accumulated depreciation and impairments)</b>	<b>Balance at 31.12.2020</b>	<b>Balance at 31.12.2019</b>
Land, land rights and buildings, incl. buildings on third-party property	1,232	1,132
Oil and gas assets	22,736	20,621
Plant and machinery	6,144	5,983
Other fixtures and fittings, tools and equipment	371	282
Assets under construction	18	18
<b>Total accumulated depreciation and impairments for tangible assets</b>	<b>30,501</b>	<b>28,035</b>

## 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, 2020, a number of 1,144 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;
- ▶ 2 notifications (2 files case opened based upon notifications) are 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

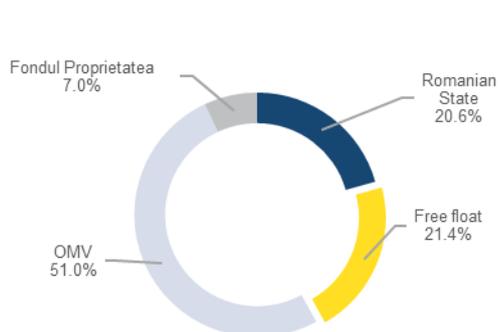
legal liability, assumed retentions of loss (including decisions to not insure a risk within the tolerance level) or unacceptable risks for the insurers (exclusions) for which alternative risk mitigations and treatment can be applied either to control the probability of occurrence, consequences, velocity or combination of these.

### 3. The Market of the Securities issued by the Company

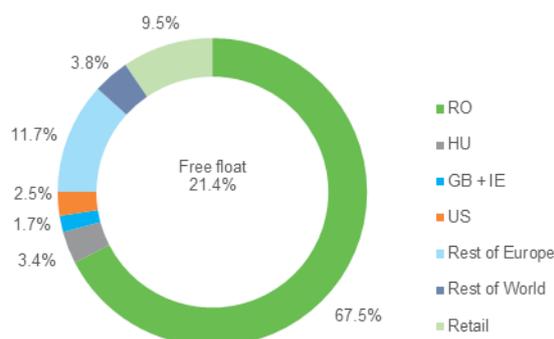
#### 3.1. The markets in Romania and in other countries where the securities issued by the company are traded

##### Shareholder structure

At the end of 2020, OMV Petrom S.A. had the following shareholding structure: 51.0% – OMV Aktiengesellschaft,



20.6% – Romanian State, and 7.0% – Fondul Proprietatea S.A (FP). The remaining 21.4% represents the free float, traded as shares within the Premium category of the Bucharest Stock Exchange (BSE) and as GDRs within the Standard category on the main market of the London Stock Exchange (LSE). The free float increased by three percentage points following the sale by Fondul Proprietatea via an Accelerated Book Building (ABB) in September 2020. At the end of 2020, 477 legal entities from Romania and abroad held 90.5% of the free float shares or 19.3% of OMV Petrom share capital, with the remainder (9.5% of the free float or 2.0% of capital) being held by around 456,000 private individuals.



An analysis of our shareholder structure, as at the end of 2020, shows that 67.5% of the free float was held by Romanian institutional shareholders (2019: 60.6%), 9.5% by retail investors (2019: 9.9%), 3.4% were Hungarian institutional investors (2019: 3.7%), 1.7% were from the UK and Ireland (2019: 2.0%), 2.5% were from the USA (GDR component included in this category) (2019: 5.6%), 11.7% were from other European countries (2019: 14.1%), and 3.8% were from rest of the world (2019: 4.1%).

##### Shares

The evolution of OMV Petrom share price in 2020 was significantly influenced by the development of the COVID-19 pandemic which also caused stock market crashes, both locally and internationally, most notably between February and April 2020.

recorded some of the biggest daily losses in years, as the COVID-19 disease was declared a pandemic (March 11) and lockdowns were widely being imposed around the

The year started on a positive note, hence the **highest share price** of the year, RON 0.4500, was quickly reached on January 7 and 9. However, by the end of January 2020, markets had already started to decline, as the World Health Organization declared the rapidly spreading COVID-19 outbreak a Public Health Emergency of International Concern.

The capital market correction deepened in March, catalyzed by turbulence in the oil market. During this time, the oil and gas sector suffered twin shocks of demand destruction due to the pandemic and of supply surge following tensions at OPEC+ level. The tensions culminated with Saudi Arabia increasing crude oil production and selling it at a discount, thus sending oil prices and international markets into free fall. On March 9 and March 12, international stock markets

world. In this context, on March 9, OMV Petrom share recorded also its highest daily decline in 2020 of 13.9%.

Taking cue from international markets, OMV Petrom's share also declined, reaching the **lowest share price** for trades on the Regular market, RON 0.2735, on March 18, 2020.

From April 2020 onwards, global capital markets returned to bullish sentiments, on hopes of COVID-19 vaccines and quick economic recovery. However, volatility remained high throughout the year, as diverse information – conflicting data regarding economic outlook, governments' measures to mitigate the impact of the pandemic, political and civil unrest in major economies such as the US – swayed investors in different directions. In mid-April, OPEC+ reached an agreement on production cuts for the period May 2020 through April 2022, which helped the oil markets and consequently, OMV Petrom share price and industry specific indices to recover.

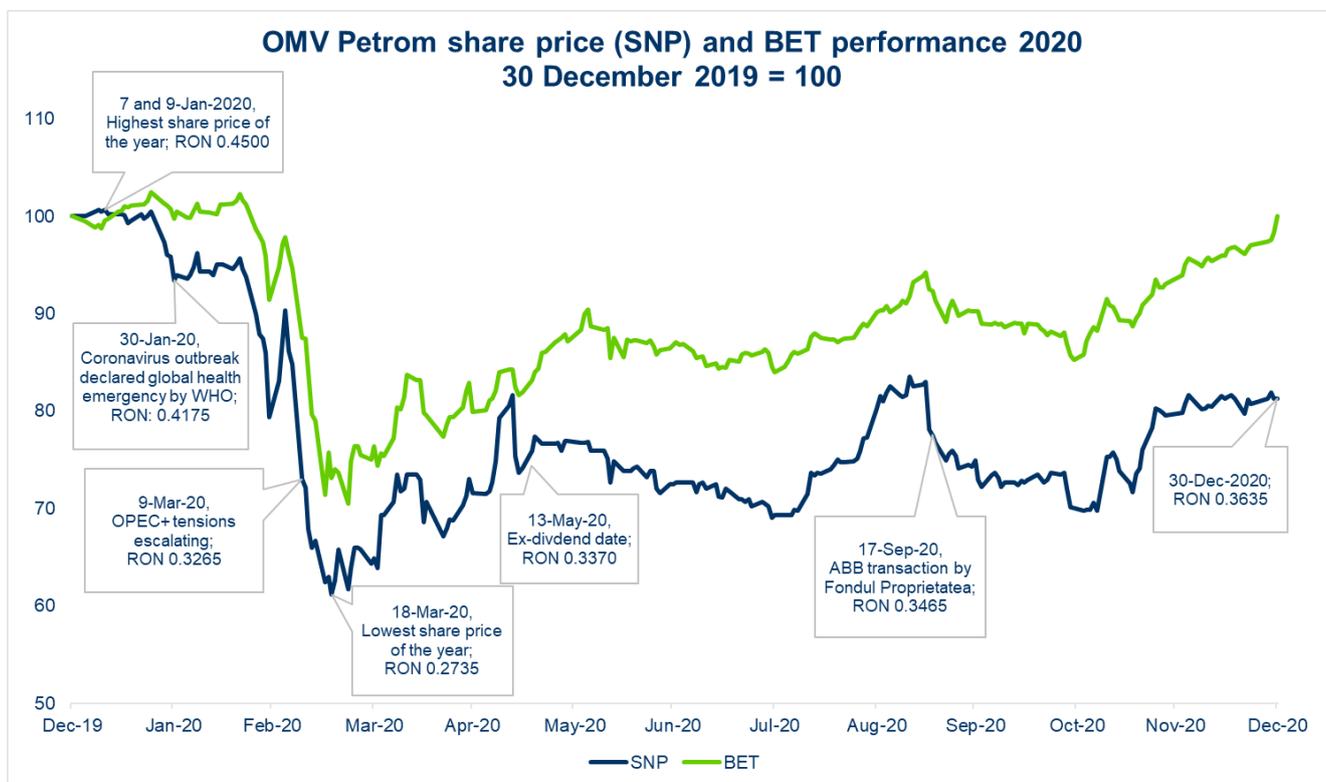
On the **ex-dividend** date May 13, the SNP share price corrected by 7.7% (RON 0.028), less than the equivalent of 2019 dividend per share of RON 0.031. The share price ended the month 5.8% below the share price on May 12, but up 7.5% mom, while the BET index appreciated by 9.1% mom.

Another sizeable daily decrease of the OMV Petrom share price (-5.9%) was recorded after the pricing of FP's ABB was announced (September 16). On the next day, FP sold 1.7 bn shares or 3% of OMV Petrom's capital at RON 0.33, a discount of 11% to the share price before the deal announcement.

The 2020 **average OMV Petrom share price** for trades on the Regular market was RON 0.3473, 11% lower than the 2019 figure of RON 0.3886, while the average dated Brent oil price decrease was of 35% yoy. The **highest daily traded volume** on the Regular market of 59.6 mn shares was registered on August 17. The **average daily traded volume**, including Deal trades, was 9.9 mn shares (2019: 9.2 mn), up 8% yoy, helped by the conclusion of an Issuer market making (IMM) program on September 3, 2020. The **average daily traded value** was RON 3.39 mn, down 5% yoy in RON terms. The 2020 average daily traded value in EUR terms was EUR 0.70 mn.

From the floors reached in March, domestic indices followed an upward trend for the rest of 2020, most of them not fully recovering, however, to the levels reached in the previous year. The **BET index** closed the year 2% below the value of at the end of 2019. The **BET-NG index** (comprising stocks in the energy and utilities sectors) in which OMV Petrom has a weight of around 30%, decreased by 12% yoy. The **BET-BK index** (designed as a benchmark for asset managers and institutional investors) also decreased by 1% yoy. The **BET-TR (total return BET)** appreciated by 3% yoy in 2020. As of September 21, 2020, FTSE's reclassification for Romania to Secondary Emerging Market became effective.

Underperforming the BET index by 17.0 percentage points, OMV Petrom share ended the last trading session of the year on December 30 **at the share price of RON 0.3635**, 19% lower yoy. **The total shareholder return** (including the dividend of RON 0.031/share for the 2019 financial year) **was (12)%**.



OMV Petrom S.A. **market capitalization** at the end of 2020 was RON 20.6 bn or EUR 4.2 bn, accounting for around 13% of the total market capitalization of the companies

listed on the BSE and for around 23% of the capitalization of the BET index (representing the 17 most liquid blue-chip stocks listed on the BSE).

**OMV Petrom S.A. share symbols**

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

**At a glance**

	2020	2019	Δ (%)
Number of shares (mn)	56,644.1	56,644.1	0
Market capitalization (RON mn) <sup>1</sup>	20,590	25,320	(19)
Market capitalization (EUR mn) <sup>1</sup>	4,229	5,298	(20)
Year's high (RON)	0.4500	0.4470	1
Year's low (RON)	0.2735	0.2820	(3)
Year end (RON)	0.3635	0.4470	(19)
EPS (RON)	0.0228	0.0642	(64)
Dividend per share (RON)	0.031 <sup>2</sup>	0.031	0
Dividend yield (%) <sup>1</sup>	8.5	7.0	21
Payout ratio (%) <sup>3</sup>	136	48	183

<sup>1</sup> Calculated based on the closing share prices and RON/EUR exchange rates as of the last trading day of the respective year;

<sup>2</sup> Dividend subject to GMS approval on April 27, 2021;

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

**Global Depository Receipts (GDR)**

The **GDR price on the last trading day** in 2020 was USD 13.0, translating into a 13.3% yoy decrease. In 2020, the GDR price ranged between a USD 15.7 **high** (on January 2) and a USD 11.3 **low** (first reached on July 7).

In total, 4,454 GDRs were traded in 2020 (2019: 64,492), while the **daily average number of GDRs** was 17 (2019: 254).

The **highest monthly trading volume and value** were reached in July (1,163 GDRs, worth of USD 13,142), while the lowest in February - May (no trades). **The total value of GDRs traded** in 2020 was USD 0.06 mn (2019: USD 0.95 mn).

258 GDRs were issued in July and 1,427 GDRs were cancelled in January 2020. The **number of GDRs**

**outstanding** at the end of each month ranged between 181,353 (in January) and **181,611 (in December)**. The latter figure represents 7.3% of the GDRs issued in the October 2016 Secondary Public Offering and 0.23% of the free float as of end-2020.

In 2020, indices on the European and US exchanges had mixed evolutions. Some reached record levels towards the end of the year, as markets grew increasingly optimistic that the widespread vaccinations against COVID-19 would lead to a return to normal life and thus boost the economic recovery. Oil and gas - specific indices had a more subdued evolution, as the outlook for oil demand recovery remained uncertain. The DAX increased by 3.5% yoy, FTSE 100 decreased by 14.3% yoy, STOXX Europe 600 decreased by 4.0% yoy, STOXX Europe 600/Oil & Gas closed 25.8% lower yoy, while Dow Jones Industrial average increased by 7.2% yoy.

**OMV Petrom S.A. GDR symbols**

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

**Own shares**

At the end of 2020, OMV Petrom S.A. held a total number of 204,776 own shares, representing 0.0004% of issued share capital. In 2020, OMV Petrom did not buy back or cancel any Treasury shares.

**Investor Relations activities**

During 2020, the company's top management and the Investor Relations (IR) team had an active presence on the local and foreign capital markets, by attending conferences and organizing calls for analysts and investors. In the context of the pandemic, the interactions took place mostly online, including for the Annual General Meeting of

Shareholders, as there were no shareholders attending in person the meeting. In 2020, we attended 12 conferences and we virtually met around 90 investment funds from all over the world. Such interactions provided the opportunity to regularly update investors and analysts on the company's response to the COVID-19 crisis and oil price volatility, as well as on the quarterly operational, financial performance and strategy execution. During 2020, the number of interactions with focus on ESG (Environmental, Social and Governance) topics increased. More specifically, we received questions around the impact of the European Green Deal on our sustainability strategy and capital expenditure plans.

The main tool via which we update capital markets is the quarterly reporting package, which provides a comprehensive resource for analysts and investors. The package includes, among others, **Trading Update of Key Performance Indicators (KPIs)** to provide early guidance on OMV Petrom's key trends for the quarter. OMV Petrom continued publishing a **Factsheet** as well as the **Questions and Answers** document of the quarterly conference calls on its corporate website: [www.omvpetrom.com](http://www.omvpetrom.com).

In the interest of transparency and timeliness, all company reports, releases, and important information for shareholders, analysts, and investors are promptly

### 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

disseminated on the BSE and LSE websites and also posted in the Investors section on the company's website.

#### Analyst coverage of OMV Petrom shares

At the end of 2020, **OMV Petrom stock was covered by nine analysts** (2019: nine), of whom eight (or 89%) had "Buy" or equivalent ratings (end of 2019: 55%) and one (or 11%) had a "Hold" or equivalent rating (end-2019: 33%). No analyst had a Sell rating (2019: 11%). **The average target price (TP)** according to analyst consensus estimates was RON 0.403 (translating into a 11.0% upside potential compared to the share price of RON 0.3635 on the last day of trading in the year). This compares to an average TP of RON 0.462 as at end-2019.

#### Dividends

The Supervisory Board has approved the Executive Board's proposal to the Ordinary GMS to distribute a gross dividend per share of RON 0.031 for the year 2020, which is in line with the current dividend policy. This translates into a total cash outflow of RON 1,756 mn, a payout ratio of 136% of the Group's 2020 net profit attributable to stockholders of the parent (2019: 48%), or 73% of the Group's 2020 free cash flow (2019: 54%). The 2020 dividend proposal is subject to the approval of the forthcoming Ordinary GMS on April 27, 2021.

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	2020	2019	2018
Dividends allocated, RON mn	1,755.96 <sup>1</sup>	1,755.96	1,529.39

<sup>1</sup>Subject to GMS approval.

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 was approved by the Ordinary General Meeting of Shareholders, on April 27, 2020. The payment of the dividends started on June 5, 2020.

On March 17, 2021, the Supervisory Board approved the Executive Board's proposal to distribute dividends of RON 0.031 per share, resulting in a payout ratio of 136%, based on the Group's 2020 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, 2021.

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

As at year-end 2020, OMV Petrom held a total of 204,776 own shares, representing 0.0004% of issued share capital.

In 2020 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 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](http://www.omvpetrom.com)) and in the relevant internal regulations and are briefly detailed herein.

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

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

### **Bucharest Stock Exchange Corporate Governance Code**

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

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

### **General Meeting of Shareholders (GMS)**

#### **GMS organization**

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

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

supporting documents related to items included on the relevant GMS agenda.

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

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

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

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

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

### **GMS main duties and powers**

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

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

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

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

### **Shareholders' rights**

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

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

In addition, shareholders have the right to participate and vote in the GMS, as well as to receive dividends. OMV Petrom observes the one share, one vote, one dividend principle. There are no shares with multiple voting rights, preferential voting rights or maximum voting rights or other voting right restrictions such as non-voting shares without preference, priority shares, golden shares and other voting rights ceilings.

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, as per the applicable legislation, one or more shareholders holding, individually or jointly, at least 5% of the share capital, may request the calling of a GMS. Such shareholders also have the right to add new items to the agenda of a GMS, provided such proposals are accompanied by a justification or a draft

resolution proposed for approval and copies of the identification documents of the shareholders who make the proposals.

### **Rights of GDR holders**

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

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

### **Supervisory Board**

#### **Supervisory Board members**

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

At the beginning of 2020, the Supervisory Board consisted of the following members: Rainer Seele (President), Reinhard Florey (Deputy President), Thomas Gangl, Johann Pleininger, Daniel Turnheim, Jochen Weise, Sevil Shhaideh,

Radu-Spiridon Cojocaru and Joseph Bernhard Mark Mobius.

On March 3, 2020, the Ordinary GMS, convened at the request of the shareholder Romanian State (via the Ministry of Economy, Energy and Business Environment), approved the revocation of Sevil Shhaideh from her capacity as member of the Supervisory Board and the appointment of Niculae Havrileț as new member in the Supervisory Board for the remaining period of the mandate granted to Sevil Shhaideh. During the same meeting, 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. Therefore, at the end of 2020, the Supervisory Board had the following composition: Rainer Seele (President), Reinhard Florey (Deputy President), Thomas Gangl, Johann Pleininger, Daniel Turnheim, Jochen Weise, Niculae Havrileț, Radu-Spiridon Cojocaru and Joseph Bernhard Mark Mobius.

#### **Main duties and powers of the Supervisory Board**

The Supervisory Board has the following main powers:

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

Details on the Supervisory Board works and activities in 2020, as well as the results of the Supervisory Board self-evaluation are included in the Supervisory Board Report.

#### **Supervisory Board functioning**

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

The Supervisory Board meets whenever necessary, but at least once every three months. The Supervisory Board may hold meetings in person or by telephone or video conference. At least five of the Supervisory Board members must be present for resolutions to be validly passed. The

decisions of the Supervisory Board shall be validly passed by the affirmative vote of the majority of the members present or represented at such Supervisory Board meeting. In the event of parity of votes, the President of the Supervisory Board or the person empowered by him/her to chair the meeting shall have a casting vote. In urgent cases, the Supervisory Board may take decisions by circulation, without an actual meeting being held, by the majority of votes. The President shall decide on whether issues are of an urgent nature.

### Special committees

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

### Audit Committee

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

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

Therefore, at the end of 2020 as well as 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), Nicolae Havrileț (member) and Radu-Spiridon Cojocaru (member - independent).

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

### Main duties and powers of the Audit Committee

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

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

Details on the Audit Committee works and activities in 2020 are included in the Supervisory Board Report.

### Audit Committee functioning

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 2020, there was only one change in the membership of the Presidential and Nomination Committee. Following Sevil Shhaideh's revocation as of 3 March 2020 as member of the Supervisory Board (and consequently the cease of the position in the Presidential and Nomination Committee) and the appointment of Nicolae Havrileț as member of the Supervisory Board as of 3 March 2020, Nicolae 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.

Therefore, at the end of 2020 as well as 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 Nicolae Havrileț (member).

**Main duties and powers of the 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;
- ▶ deals and decides on matters concerning the remuneration of the Executive Board members and the content of mandate contracts with Executive Board members;
- ▶ carries out the Supervisory Board self-evaluation and the assessment of independency of Supervisory Board members, under the leadership of the President of the Presidential and Nomination Committee.

**Presidential and Nomination Committee functioning**

The Presidential and Nomination Committee meets on a regular basis, at least once per year, and on an extraordinary basis if required. The Presidential and Nomination 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 Presidential and Nomination Committee shall be validly passed by the affirmative vote of the majority of the members present or represented at the meeting. In the event of parity of votes, the President or the person empowered by him/her to chair the meeting shall have a casting vote. However, the President shall endeavor to achieve that, to the extent possible, resolutions are passed with a consensus among its members.

In urgent cases, the Presidential and Nomination Committee may take decisions also by circular resolution, without an actual meeting being held, by the majority of votes. The President shall decide on whether issues are of an urgent nature.

**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 2020, the Executive Board was composed of the following members: Christina Verchere (CEO and President), Alina-Gabriela Popa (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).

The Supervisory Board approved the appointment of Christopher Veit as Executive Board member in charge of Upstream activity starting with October 1, 2020, following Peter Zeilinger's waiver of his mandate, which became effective on September 30, 2020.

**Main duties and powers of the Executive Board**

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

- ▶ to establish the strategy and policies regarding the development of the Company, including the organizational structure of the Company and the operational divisions;
- ▶ to submit annually for the approval of the GMS, within four months after the end of the financial year, the report regarding the business activity of the Company, the financial statements for the previous year, as well as the business activity and budget projects of the Company for the current year;

- ▶ to conclude legal acts on behalf of and for the account of the Company, with observance of matters reserved to the GMS or to the Supervisory Board;
- ▶ to hire and dismiss, and to establish the duties and responsibilities of the Company's personnel, in line with the Company's overall personnel policy;
- ▶ to undertake all the measures necessary and useful for the management of the Company, implied by the daily management of each division or delegated by the GMS or by the Supervisory Board, with the exception of those reserved to the GMS or to the Supervisory Board through operation of law or of the Articles of Association;
- ▶ to exercise any competence delegated by the Extraordinary GMS.

The Executive Board reports to the Supervisory Board on a regular basis on all relevant issues concerning the course of business, strategy implementation, the risk profile and risk management of the Company.

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

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

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

#### **Executive Board functioning**

The responsibilities of the Executive Board members, as well as the working procedures and the approach to conflicts of interest are governed by the 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 requires 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 2020, the Executive Board met 50 times, either in person or by video conference and passed resolutions by circulation on 8 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: 17.83% Baby Boomers, 69.15% Generation X, 12.28% Millennials and 0.74% Generation Z. The mix of nationalities in OMV Petrom currently is 94.34% 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. **OMV Petrom Excellence Scholarship** is a scholarship program and it offers students the opportunity to focus on studies and link between theory and practice. In 2020, 49 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**

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

OMV Petrom strives for diverse teams and specifically, at management level, aims to increase female representation in Senior Leadership roles to 30% 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 2020 and at the date of this report, there were two women in OMV Petrom's management bodies: Christina Verchere, the CEO and President of the Executive Board and Alina Gabriela Popa, CFO and member of the Executive Board. Moreover, at the end of 2020, 30% 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 24% 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.

### **Principles of Remuneration Policy**

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 oil and gas sector, 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.

In line with the recent requirements regarding directors' remuneration as per Law no. 24/2017 on issuers of financial instruments and market operations (as amended and supplemented by Law 158/2020), OMV Petrom prepared a Remuneration Policy for the Executive Board and Supervisory Board of OMV Petrom, applicable starting 2021 financial year. The Remuneration Policy was drafted by the Presidential and Nomination Committee, in close cooperation with independent consultants. The Remuneration Policy proposed by the Presidential and Nomination Committee was then approved by the

Supervisory Board and afterwards will be put to a vote at the Ordinary GMS on 27 April 2021. Once approved by the Ordinary GMS, the Remuneration Policy will be available in the Corporate Governance section of our corporate website ([www.omvpetrom.com](http://www.omvpetrom.com)).

The Remuneration Policy is aligned with OMV Petrom's long-term strategy, current market practice, as well as OMV Petrom's shareholders' views and interests. It follows OMV Petrom's core principle of pay according to performance.

The implementation of the Policy and the performance outcomes will be set out in the annual Remuneration Report for OMV Petrom's Executive Board and Supervisory Board, which will be prepared starting by reference to financial year 2021.

#### **Remuneration of the Supervisory Board members**

For 2020, the Ordinary GMS approved an annual gross remuneration corresponding to a net remuneration for each member of the Supervisory Board amounting to EUR 20,000 per year (2019: EUR 20,000 per year), an additional gross remuneration per meeting corresponding to a net remuneration of EUR 4,000 for each member of the Audit Committee (2019: EUR 4,000 per meeting) and an additional gross remuneration per meeting corresponding to a net remuneration of EUR 2,000 for each member of the Presidential and Nomination Committee (2019: EUR 2,000 per meeting).

As at December 31, 2020 and 2019, there were no loans or advances granted by any of the Group companies to the members of the Supervisory Board. As at December 31, 2020 and 2019, the Group companies did 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 2020 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 69.40 mn (2019: RON 81.51 mn).

The remuneration paid to members of the Executive Board and to the directors reporting to the 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, HSSE and

sustainability metrics) in line with company strategy, to align the interests of management and shareholders, including both short- and long- term plans consisting of:

- ▶ performance bonus program of 1 year
- ▶ 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 the 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:**

<b>Element</b>	<b>Description</b>
<b>Internal control environment</b>	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.
<b>Assessment of process and compliance risks</b>	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.
<b>Risk mitigation via control activities</b>	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.
<b>Documentation and information</b>	Related duties include the documentation of main processes and procedures containing a description of key control activities performed.
<b>Monitoring and audit</b>	Management and the Internal Audit department evaluate the effective implementation of the internal control system.

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

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

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

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

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

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

In accordance with Chapter 8 of the Ministry of Public Finance Order no. 2844/2016 for approval of Accounting Regulations according to International Financial Reporting Standards, transposing Chapter 10 of the Accounting Directive (2013/34/EU) of the European Parliament and of the Council, OMV Petrom management prepared a consolidated report on payments to governments for the year 2020. This report will be published together with the consolidated financial statements of OMV Petrom for the year ended December 31, 2020.

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

mandate between April 28, 2017 and until April 28, 2021, as follows:

**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

<b>Name</b>	<b>Age (years)</b>	<b>Position</b>	<b>Other information</b>
<b>Rainer Seele</b>	60	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.
<b>Reinhard Florey</b>	54	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.
<b>Thomas Gangl</b>	50	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.
<b>Johann Pleininger</b>	59	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 &

Name	Age (years)	Position	Other information
			Production at OMV Petrom. Afterwards, he has been the Senior Vice President responsible for the core Upstream countries Romania, Austria, as well as the development of the Black Sea Region. Since September 1, 2015 he has been a member of the OMV Executive Board and is responsible for Upstream (Exploration & Production). As of July 1, 2017 Mr. Pleininger was appointed also Deputy Chairman of the OMV Executive Board.
<b>Daniel Turnheim</b>	46	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.
<b>Niculae Havrileț</b>	65	Member As of 3 March 2020	Niculae Havrileț graduated the Technical University Cluj Napoca, Faculty of Mechanical Engineering – Technologies. Niculae Havrileț has 40 years of experience in electricity field and natural gas, including over 25 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). From February 2018 to November 2019 he acted as a personal advisor to the Minister of Energy for issuing The National Energy Strategy for 2016-2030 up to 2050. As of December 2019, Niculae Havrileț is state secretary within the Ministry of Economy. In 2000, he has received the “Order of the Star of Romania” Knight.
<b>Radu-Spiridon Cojocaru</b>	73	Member – independent <sup>1</sup> As of 28 April 2017	Radu-Spiridon Cojocaru graduated from the Faculty of Applied Electronics, at the Politehnic Institute of Bucharest. He is a founding member of the National Association for Securities Market Development, contributing from his position as member of the Board of Directors to the establishment of specific institutions such as the National Securities Commission (currently the Financial Supervisory Authority), Bucharest Stock Exchange, Central Depository, RASDAQ. 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.

<b>Name</b>	<b>Age (years)</b>	<b>Position</b>	<b>Other information</b>
			Between 2018-2019, he was member of the National National Committee for Substantiation of the National Euro Changeover Plan.
<b>Joseph Bernhard Mark Mobius</b>	84	Member - independent <sup>1,2</sup> 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 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.
<b>Jochen Weise</b>	65	Member - independent <sup>1</sup> As of 1 November 2016	Jochen Weise graduated in Law from Universities of Bochum and 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.

<sup>1</sup> 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;

<sup>2</sup> Joseph Bernhard Mark Mobius independence status changed from non-independent to independent starting 2019.

**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, while Nicolae Havrilet holds a number of 85,502 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
Christopher Veit	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, Christopher Veit 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.

### 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 2020, 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		
	2020	2019	2018
Sales revenues	15,437	19,944	17,782
Operating Result	1,499	4,017	4,883
Net financial result	5	68	(279)
Net income	1,382	3,564	3,880
Non-current assets	34,353	34,726	33,543
Current assets (including assets held for sale)	12,377	11,665	9,471
Total equity	32,013	32,351	30,314
Non-current liabilities	8,552	7,879	6,689
Current liabilities (including liabilities associated with assets held for sale)	6,164	6,161	6,011
Cash and cash equivalents at the beginning of the year	6,795	4,901	3,780
Cash flow from operating activities	5,394	6,920	6,491
Cash flow from investing activities	(2,934)	(3,120)	(4,954)
Cash flow from financing activities	(1,946)	(1,908)	(417)
Effect of foreign exchange rate changes on cash and cash equivalents	(4)	1	1
Cash and cash equivalents at the end of the year	7,305	6,795	4,901

Ratios	Year ended December 31		
	2020	2019	2018
<b>Liquidity ratios</b>			
Current ratio	2.01	1.89	1.58
Acid test	1.74	1.58	1.30
<b>Risk ratios</b>			
Gearing ratio	n.m.	n.m.	n.m.
Indebtedness ratio	0%	1%	1%
<b>Operational ratios</b>			
Stock turnover – days	50	43	47
Receivables turnover – days	37	36	36
Tangible assets turnover	0.60	0.78	0.72
Total assets turnover	0.33	0.43	0.41
<b>Profitability ratios</b>			
Net profit margin	9%	18%	22%
Operating Result margin	10%	20%	27%
Operating Result before depreciation margin	33%	37%	42%
Return on fixed assets (ROFA)	5%	14%	18%
Return on equity (ROE)	4%	11%	13%

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

Compared to 2019, **sales revenues** decreased in 2020 by 23% to RON 15,437 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: 62% or RON 9,505 mn (2019:

RON 13,503 mn). The Downstream Gas segment's contribution was RON 5,842 mn or approximately 38% of total sales, 6% above 2019 level.

**Operating result** for the year 2020 amounted to RON 1,499 mn, lower than RON 4,017 mn in 2019, being influenced mainly by the following most significant evolutions:

- ▶ **Sales revenues** decreased by 23%;
- ▶ **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 RON 49 mn;
- ▶ **Other operating income** increased by RON 186 mn, mainly due to the fact that 2020 includes revenues from sales of CO2 certificates in amount of RON 180.99 million;
- ▶ **Operating expenses** decreased by 10%, 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, decreased by RON 1,662 mn, mainly as a result of lower cost with trade and domestic crude processed and also lower cost of sales for traded goods;
  - ▶ Production and similar taxes decreased with RON 319 mn mainly due to the decrease in gas and oil royalties as a result of lower reference prices and lower production and due to decrease of additional taxes on gas revenue following lower prices;
  - ▶ Depreciation, amortization, impairments and write-ups decreased by 12%, mainly due to reversal of impairment for Brazi gas fired power plant and lower impairment of assets held for sale which more than offset the net impairment of CGU's in Upstream and higher depreciation charges;
  - ▶ Exploration expenses increased by RON 569 mn, mainly due to write-off of exploration intangibles following the update of mid and long-term price assumptions.

The Company's **net financial result** decreased to RON 5 mn in 2020 from RON 68 mn in 2019, mainly as a result of foreign exchange rates evolution and lower positive impact from reassessment of recoverability of loans granted.

**Net income** decreased to RON 1,382 mn in 2020 compared to RON 3,564 mn in 2019, due to the negative

evolution of the Operating Result and, also, of net financial result.

As a result of its business activities, OMV Petrom contributed RON 9,609 mn to the Romanian State budget. Out of this amount, direct taxes represented RON 1,245 mn and indirect taxes RON 8,002 mn.

OMV Petrom's contribution to the State budget via direct taxes was mainly represented by the profit tax that amounted to RON 239 mn, royalties that amounted to RON 530 mn, employer social contributions that amounted to RON 69 mn, tax on additional revenue from natural gas sales and on exploitation of mineral resources other than natural gas that amounted to RON 274 mn, tax on offshore additional revenues of RON 56 mn and the contribution in amount of RON 19 mn due to the Romanian Energy Regulatory Authority ("ANRE") for energy and gas licenses.

OMV Petrom's contribution to the State budget via indirect taxes was mainly represented by excise (including custom excise) in amount of RON 5,432 mn, VAT (including custom VAT) in the amount of RON 1,817 mn and also employees' related taxes amounting to RON 727 mn.

**Total assets** amounted to RON 46,730 mn as of December 31, 2020, 1% higher compared to 2019, driven by higher current assets.

**Non-current assets** decreased by 1% to RON 34,353 mn, compared to the end of 2019 (RON 34,726 mn), driven by the decrease in intangible assets. The depreciation, the net impairments triggered by revision of price assumptions, and the reclassification of assets to held for sale, exceeded the additions during the period and the increase in decommissioning asset following reassessment.

The ratio of intangible assets and property, plant and equipment to total assets amounted to 61% (2019: 62%).

**Total current assets**, including assets held for sale, increased by 6% to RON 12,377 mn compared to RON 11,665 mn at the end of 2019, mostly driven by the reclassification of assets to held for sale following the expected sale of subsidiaries in Kazakhstan. In addition, higher financial assets in relation to margin hedges in the refinery and the increase in cash and cash equivalents were offset by lower trade receivables due to lower sales, and lower inventories.

In December 2020 OMV Petrom signed a transaction for the sale of its 100% shareholding in Kom-Munai LLP and Tasbulat Oil Corporation LLP in Kazakhstan to Magnetic Oil

Limited, which led to the reclassification of the costs of investments, including loans granted to them to held for sale as of December 31, 2020.

**Total equity** decreased to RON 32,013 mn as of December 31, 2020 compared to RON 32,351 mn as of December 31, 2019, as a result of the distribution of dividends for the financial year 2019 for the gross amount of RON 1,756 mn (gross dividend per share of RON 0.031), partially compensated by the net profit generated in the current period. The equity ratio slightly decreased to 69% as of December 31, 2020 (December 31, 2019: 70%).

**Total liabilities** increased by 5% to RON 14,717 mn as of December 31, 2020, mainly as a consequence of an increase in non-current liabilities.

The increase in **non-current liabilities** was mainly due to the reassessment of provisions for decommissioning and restoration obligations.

Provisions for decommissioning and restoration amounted to RON 7,511 mn as of December 31, 2020, both short and long term (December 31, 2019: RON 6,702 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 decrease in **current liabilities**, excluding those associated with assets held for sale was mostly due to lower trade payables and income tax liabilities, partially offset by other financial liabilities.

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, 2020.

### Cash flow

Cash flow from operating activities decreased as compared to 2019, due the lower operating result, compensated by the favorable evolution in working capital. Cash outflows in 2020 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 27, 2020, the shareholders of OMV Petrom S.A. approved the distribution of RON 0.031 gross dividend per share. The Company paid dividends in amount of RON 1,740 mn in 2020.

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 dividends per share. The Company paid dividends in the amount of RON 1,516 mn in 2019.

### Changes in consolidated OMV Petrom Group

Compared with the consolidated financial statements as of December 31, 2019, consolidated Group changed as follows:

On August 31, 2020, OMV Petrom S.A. completed the acquisition of 100% shares in OMV Offshore Bulgaria GmbH from OMV Exploration & Production GmbH, which holds an interest in Han Asparuh offshore block in Bulgaria. The new subsidiary is consolidated starting with the acquisition date.

Starting with October 31, 2020, the subsidiary Petrom Exploration & Production Ltd was deconsolidated due to immateriality.

The detailed structure of the consolidated companies in OMV Petrom Group at December 31, 2020 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](http://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, with all subsequent modifications and clarifications, 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 2020. This report will be published together with the financial statements of OMV Petrom S.A. for the year ended December 31, 2020.

### 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 2020 will be published by May 31, 2021.

6. Corporate governance statement <sup>vii</sup>

Provisions of the Bucharest Stock Exchange Corporate Governance Code	Complies	Does not comply or partially complies	Comments
<b>Section A - Responsibilities</b>			
A.1. All companies should have internal regulation of the Board which includes the terms of reference/ responsibilities for the Board and key management functions of the company, applying, among others, the General Principles of this Section.	√		Since April 2007, OMV Petrom has been managed in a two-tier system by an Executive Board, which manages the daily business of the Company under the supervision of the Supervisory Board. The Company's corporate governance structure and principles, as well as the competences and responsibilities of the GMS, the Supervisory Board and the Executive Board are laid down in the Articles of Association, the Rules and Procedures of the GMS, the internal rules of the Supervisory Board and of the Executive Board, and in other relevant internal regulations. The main responsibilities of the Executive Board and Supervisory Board (including its committees), as well as of the GMS are also mentioned in the Annual Report.
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-quotate) and from voting on the adoption of a resolution on the issue which gives rise to such conflict of interest.	√		The members of the Executive Board and the members of the Supervisory Board have, by law, a duty of care and a duty of loyalty to the Company, stated not only in the Company's Articles of Association, but also in other internal regulations. Moreover, the Company has in place internal rules on how to deal with conflicts of interest, when such situations occur, providing for immediate disclosure and refraining from debates/voting on that particular matter.
A.3. The Supervisory Board should have at least five members.	√		The Supervisory Board consists of nine members appointed by the Ordinary GMS, in accordance with the provisions of Company Law and the Company's Articles of Association.
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	√		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.

<sup>vii</sup> 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](http://www.bvb.ro)

Provisions of the Bucharest Stock Exchange Corporate Governance Code	Complies	Does not comply or partially complies	Comments
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>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, 2020.</p> <p>Following this evaluation, it resulted that at the date of this report, three Supervisory Board members meet all the independence criteria provided by the Corporate Governance Code. Information on the independence status of the members of the Supervisory Board is included on the Company's corporate website, within the About Us section, Supervisory Board sub-section, and in the Supervisory Board Report.</p>
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.	√		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.
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.	√		The Company has a General Secretary, who supports the works of both the Executive Board and Supervisory Board.
A.8. The corporate governance statement should inform on whether an evaluation of the Board has taken place under the leadership of the chairman or the	√		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

Provisions of the Bucharest Stock Exchange Corporate Governance Code	Complies	Does not comply or partially complies	Comments
<p>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>			<p>of the President of the Presidential and Nomination Committee. The outcome of the Supervisory Board's self-evaluation for 2020 is presented in the Supervisory Board Report.</p>
<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>	√		<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 at the meetings of the Executive Board and the Supervisory Board, including the Audit Committee and the Presidential and Nomination Committee, during 2020, are included in the Supervisory Board Report and the Corporate Governance Report. The reports of the Supervisory Board and Executive Board for 2020 are included in the Annual Report and submitted for Ordinary GMS's approval.</p>
<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>	√		<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 the date of this report, three Supervisory Board members meet 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.</p>
<p>A.11. The Board of Premium Tier companies should set up a nomination committee formed of non-executives, which will lead the process for Board appointments and make recommendations to the Board. The majority of the members of the nomination committee should be independent.</p>		√	<p>As stipulated in the Company's Articles of Association and applicable law, the Supervisory Board members are appointed by the Ordinary GMS, based on a transparent procedure of appointment and on the majority of votes of the shareholders. Prior to the Ordinary GMS, their CVs are made available for the consultation of the shareholders. The shareholders can supplement the candidates list for the position of member of the Supervisory Board. In accordance with the Company's Articles of Association, the Executive Board members are appointed by decision of the Supervisory Board based on the majority of votes. OMV Petrom's Supervisory</p>

Provisions of the Bucharest Stock Exchange Corporate Governance Code	Complies	Does not comply or partially complies	Comments
			<p>Board has set up a Presidential and Nomination Committee.</p> <p>The main role of the Presidential and Nomination Committee is to be involved in the succession planning for the Executive Board, having full responsibility on the selection process of candidates for appointment in the Executive Board. In addition, the Presidential and Nomination Committee has the right to make recommendations concerning the proposal of candidates for appointment in the Supervisory Board. The Presidential and Nomination Committee is composed of four members appointed from among its members. As members of the Supervisory Board, all members of the Presidential and Nomination Committee are therefore non-executives.</p> <p>At the date of this report, one member of the Presidential and Nomination Committee is independent and thus, the Company is only "partially compliant" with this provision.</p>
<b>Section B - Risk management and internal control system</b>			
<p>B.1. The Board should set up an audit committee, and at least one member should be an independent non-executive. The majority of members, including the chairman, should have proven an adequate qualification relevant to the functions and responsibilities of the committee. At least one member of the audit committee should have proven adequate auditing or accounting experience. In the case of Premium Tier companies, the audit committee should be composed of at least three members and the majority of the audit committee should be independent.</p>		√	<p>OMV Petrom's Supervisory Board has set up an Audit Committee from among its members. The members of the Audit Committee are therefore all non-executives. The Audit Committee is composed of four Supervisory Board members, out of which only two are independent at the date of this report, the Company being thus only "partially compliant" with this provision.</p> <p>The Audit Committee includes members who have adequate qualifications relevant to the functions and responsibilities of the Audit Committee. In addition, one member has also the necessary financial, auditing and accounting expertise.</p>
<p>B.2. The audit committee should be chaired by an independent non-executive member.</p>	√		<p>As members of the Supervisory Board, all members of the Audit Committee, including the president of the Audit Committee, are non-executives.</p> <p>Based on the independence evaluation, it resulted that at all times during 2020 as well as at the date of this report, the president of the Audit Committee meets all independence criteria provided by the Corporate Governance Code.</p>

Provisions of the Bucharest Stock Exchange Corporate Governance Code	Complies	Does not comply or partially complies	Comments
B.3. Among its responsibilities, the audit committee should undertake an annual assessment of the system of internal control.	√		The main roles and functions of the Audit Committee, as detailed in the Terms of Reference for the Audit Committee, consist of the following: <ul style="list-style-type: none"> <li>▶ examining and reviewing the annual separate and consolidated financial statements and the proposal for profit distribution;</li> <li>▶ 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;</li> <li>▶ 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;</li> <li>▶ reviewing conflicts of interests in transactions of the Company and its subsidiaries with related parties;</li> <li>▶ evaluating the efficiency of the internal control system and risk management system;</li> <li>▶ monitoring the application of statutory and generally accepted standards of internal auditing;</li> <li>▶ 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;</li> <li>▶ 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 accordance with Related Party Transactions Policy, and observing also the legal provisions in place;</li> <li>▶ 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.</li> </ul>
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.	√		
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>Provisions of the Bucharest Stock Exchange Corporate Governance Code</b>	<b>Complies</b>	<b>Does not comply or partially complies</b>	<b>Comments</b>
B.9. No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related parties.	√		The Company applies equal treatment to all its shareholders. According to the internal Policy on Related Party Transactions in place within the Company, related party transactions are considered on their merits in accordance with the normal industry standards, applicable laws and corporate regulations.
B.10. The Board should adopt a policy ensuring that any transaction of the company with any of the companies with which it has close relations, that is equal to or more than 5% of the net assets of the company (as stated in the latest financial report), should be approved by the Board following an obligatory opinion of the audit committee and fairly disclosed to the shareholders and potential investors, to the extent that such transactions fall under the category of events subject to disclosure requirements.	√		The Company adopted an internal Policy on Related Party Transactions providing for the main principles of review, approval and disclosure of related party transactions, according to the legal provisions in place 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 must be approved by the Supervisory Board following the approval of the Executive Board and based on the review of the Audit Committee of the respective transaction. OMV Petrom submits reports on significant 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.
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.		√	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. Nonetheless, the Audit Committee is regularly informed about the main internal audit findings and other activities of the Internal Audit department. Moreover, the Audit Committee approves the audit charter (which stands for the terms of reference of the Internal Audit department and which describes its purpose, authority and responsibility) and approves the annual internal audit plan. Therefore, in our opinion, the independence and objectivity of the internal audit function is not impaired by this reporting structure. Likewise, the Internal Audit Department did not encounter, in its past experiences, cases that could be considered as jeopardizing its independence or objectivity due to

Provisions of the Bucharest Stock Exchange Corporate Governance Code	Complies	Does not comply or partially complies	Comments
			these functional reporting lines. The Company is assessing how to fully comply with this provision in the future.
<b>Section C - Fair rewards and motivation</b>			
<p>C.1. The company should publish a remuneration policy on its website and include in its annual report a remuneration statement on the implementation of this policy during the annual period under review.</p> <p>Any essential change of the remuneration policy should be published on the corporate website in a timely fashion.</p>	√		<p>During 2020, as well as at the date this report was prepared, OMV Petrom did not have a formal remuneration policy in place. However, a Remuneration Policy for the Executive Board and Supervisory Board of OMV Petrom, applicable starting 2021 financial year was drafted by the Presidential and Nomination Committee, then approved by the Supervisory Board and will be put to a vote at the Ordinary GMS on 27 April 2021. The Remuneration Policy is aligned with OMV Petrom's long-term strategy, current market practice, as well as OMV Petrom's shareholders' views and interests. It follows OMV Petrom's core principle of pay granted according to performance.</p> <p>Once approved by the OGMS, the Remuneration Policy will be available on the Corporate Governance section of our website (<a href="http://www.omvpetrom.com">www.omvpetrom.com</a>).</p> <p>The implementation of the Policy and the performance outcomes will be set out in the annual Remuneration Report for OMV Petrom's Executive Board and Supervisory Board, which will be prepared starting with financial year 2021.</p>
<b>Section D - Building value through investors' relations</b>			
<p>D.1. The company should have an Investor Relations function - indicated, by person(s) responsible or an organizational unit, to the general public. In addition to information required by legal provisions, the company should include on its corporate website a dedicated Investor Relations section, both in Romanian and English, with all relevant information of interest for investors, including:</p> <p>D.1.1. Principal corporate regulations: the articles of association, general shareholders' meeting procedures.</p> <p>D.1.2. Professional CVs of the members of its governing bodies, Board members' other professional commitments, including executive and non-</p>	√		<p>The Company has a special department dedicated to investor relations that can be contacted via e-mail at <a href="mailto:investor.relations.petrom@petrom.com">investor.relations.petrom@petrom.com</a>.</p> <p>Likewise, OMV Petrom has a special section of the corporate website dedicated to Investor Relations, where the following main information/documents are available, both in English and Romanian:</p> <ul style="list-style-type: none"> <li>▶ Articles of Association – in the About us section, Corporate Governance sub-section;</li> <li>▶ Rules and Procedures of the GMS – in the About us section, General Meeting of Shareholders sub-section;</li> <li>▶ 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;</li> <li>▶ Current reports and periodic reports – in the Investors section, Investor News and Publications sub-sections;</li> <li>▶ Convening notices and supporting materials for the GMS – in the About us section, General Meeting of shareholders sub-section;</li> </ul>

Provisions of the Bucharest Stock Exchange Corporate Governance Code	Complies	Does not comply or partially complies	Comments
<p>executive Board positions in companies and not-for-profit institutions;</p> <p>D.1.3. Current reports and periodic reports (quarterly, semi-annual and annual reports);</p> <p>D.1.4. Information related to general meetings of shareholders;</p> <p>D.1.5. Information on corporate events;</p> <p>D.1.6. The name and contact data of a person who should be able to provide relevant information on request;</p> <p>D.1.7. Corporate presentations (e.g. IR presentations, quarterly results presentations etc.), financial statements (quarterly, semi-annual, annual), auditor reports and annual reports.</p>			<ul style="list-style-type: none"> <li>▶ Financial calendar and information on other corporate events – in the Investors section, Financial Calendar and Events sub-sections;</li> <li>▶ Name and contact information of a person able to provide investors with relevant information on request – in the Investors section, Contact Investor Relations sub-section;</li> <li>▶ 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.</li> </ul>
<p>D.2. A company should have an annual cash distribution or dividend policy. The annual cash distribution or dividend policy principles should be published on the corporate website.</p>	√		<p>The Company's Dividend Policy is published on its corporate website in the Investors section, Shares and GDRs / Dividends sub-section as well as in the About us section, Corporate Governance sub-section.</p>
<p>D.3. A company should have adopted a policy with respect to forecasts, whether they are distributed or not. Forecasts mean the quantified conclusions of studies aimed at determining the total impact of a list of factors related to a future period (so called assumptions): by nature, such a task is based upon a high level of uncertainty, with results sometimes significantly differing from forecasts initially presented. The policy should provide for the frequency, period envisaged, and content of forecasts. Forecasts, if published, may only be part of annual, semi-annual or quarterly reports. The forecast policy should be published on the corporate website.</p>	√		<p>The Company has a Forecast Policy which is published on its corporate website in the About us section, Corporate Governance sub-section.</p>

<b>Provisions of the Bucharest Stock Exchange Corporate Governance Code</b>	<b>Complies</b>	<b>Does not comply or partially complies</b>	<b>Comments</b>
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 systems.
D.7. Any professional, consultant, expert or financial analyst may participate in the shareholders' meeting upon prior invitation from the Chairman of the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the Chairman of the Board decides otherwise.	√		The Rules and Procedures of the GMS provide for the possibility for any professional, consultant, expert, financial analyst or accredited journalists to participate in the GMS, upon prior invitation from the President of the Supervisory Board.
D.8. The quarterly and semi-annual financial reports should include information in both Romanian and English regarding the key drivers influencing the change in sales, operating profit, net profit and other relevant financial indicators, both on quarter-on-quarter and year-on-year terms.	√		The quarterly and semi-annual financial reports include information in both Romanian and English regarding the key drivers influencing the change in sales, operating profit, net profit and other relevant financial indicators, both on quarter-on-quarter and year-on-year terms.
D.9. A company should organize at least two meetings/conference calls with analysts and investors each year. The information presented on these occasions should be published in the	√		OMV Petrom organizes one-to-one meetings and conference calls with financial analysts, investors, brokers and other market specialists to present the financial elements relevant for their investment decision. In 2020, OMV Petrom organized four conference calls

Provisions of the Bucharest Stock Exchange Corporate Governance Code	Complies	Does not comply or partially complies	Comments
Investor Relations section of the company website at the time of the meetings/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, which in the context of the COVID-19 pandemic, were organized mostly online. For more details, please also see the Annual Report's section relating to OMV Petrom on the capital markets. The Investor Presentations were made available at the time of the meetings / conferences on the corporate website, in the Investors section.
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.	√		OMV Petrom conducts various activities regarding education, social and environmental responsibility, as well as governance, supporting the local communities in which the Company operates. OMV Petrom concentrates its sustainability efforts on five focus areas: health, safety, security and environment, carbon efficiency, innovation, employees and business principles and social responsibility. More details in relation thereto may be found in the Sustainability Report for 2020, which will be issued by the Company, in accordance with the legal requirements regarding the disclosure of non-financial information.

### **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 with all subsequent modifications and clarifications give a true and fair view of the financial position of OMV Petrom S.A. as of December 31, 2020, 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, 2021**

### **The Executive Board**

**Christina Verchere**  
Chief Executive Officer  
President of the EB

**Alina Popa**  
Chief Financial Officer  
Member of the EB

**Christopher Veit**  
Member of the EB  
Upstream

**Franck Neel**  
Member of the EB  
Downstream Gas

**Radu Căprău**  
Member of the EB  
Downstream Oil

## 7. Annexes

### a. List of consolidated companies in OMV Petrom Group at December 31, 2020

<b>Parent company</b>			
<b>OMV Petrom S.A.</b>			
<b>Subsidiaries</b>			
<b>UPSTREAM</b>		<b>DOWNSTREAM OIL</b>	
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%
OMV Offshore Bulgaria GmbH	100.00%	OMV Petrom Aviation S.R.L. <sup>1</sup>	100.00%
		OMV Srbija DOO	99.96%
		OMV Bulgaria OOD	99.90%
<b>DOWNSTREAM GAS</b>		<b>CORPORATE &amp; OTHER</b>	
OMV Petrom Gas S.R.L.	99.99%	Petromed Solutions S.R.L.	99.99%
<sup>1</sup> 1 (one) share owned through OMV Petrom Marketing S.R.L.			
<b>Associated company, accounted for at equity</b>			
OMV Petrom Global Solutions S.R.L.			25.00%

**b. The list of the persons affiliated to the company**

<b>Code of Company</b>	<b>OMV Group consolidated companies - including OMV Petrom Group consolidated companies as of 31 December 2020</b>
OMV	OMV Aktiengesellschaft
ABU	OMV Abu Dhabi E&P GmbH
ADNOC	Abu Dhabi Oil Refining Company
ADNOCT	ADNOC Global Trading LTD
ADPINV	Abu Dhabi Petroleum Investments LLC
ADPO	Abu Dhabi Polymers Company Limited (Borouge)
AGGM	AGGM Austrian Gas Grid Management AG
ALAIN	OMV East Abu Dhabi Exploration GmbH
BAYP	Bayport Polymers LLC
BHOLAT	Susana Beteiligungsverwaltungs GmbH
BORAAG	Borealis AG
BSVSWE	Borealis Sverige AB
BABSWE	Borealis AB
BETSWE	Etenförsörjning i Stenungsund AB
BGSNOR	Borealis Group Services AS
BPOFIN	Borealis Polymers Oy
BTOFIN	Borealis Technology Oy
BFSBE	Borealis Financial Services N.V.
BPOBE	Borealis Polymers N.V.
BKALBE	Borealis Kallo N.V.
BANTBE	Borealis Antwerpen N.V.
BPLNLD	Borealis Plastomers B.V.
BROSBE	Rosier S.A.
BRONLD	Rosier Nederland B.V.
BROSFR	Rosier France S.A.S.
BBRA	Borealis Brasil S.A.
BUK	Borealis UK Ltd
BINDNK	Borealis Insurance A/S
BFR	Borealis France S.A.S.
BPECFR	Borealis Produits et Engrais Chimiques du Rhin S.A.S.
BLATFR	Borealis L.A.T France S.A.S.
BCHIFR	Borealis Chimie S.A.S.
BQESP	Borealis Química España S.A.
BPODE	Borealis Polymere GmbH
BPOAT	Borealis Polyolefine GmbH
BIT	Borealis Italia S.p.A.
BCOMUS	Borealis Compounds Inc.
BHOUS	Borealis US Holdings LLC
BAGMAT	Borealis Agrolinz Melamine GmbH
BAGMDE	Borealis Agrolinz Melamine Deutschland GmbH
BLATAT	Borealis L.A.T GmbH
BLASRB	Borealis L.A.T d.o.o. Beograd
BMTPE	mtm plastics GmbH
BMTCDE	mtm compact GmbH
BFEBGR	FEBORAN EOOD
BUS	Borealis USA Inc.
BBNHUS	Borealis BoNo Holdings LLC
BNOVUS	Novealis Holdings LLC

BECOAT	Ecoplast Kunststoffrecycling GmbH
BSBHUS	Star Bridge Holdings LLC
BDYKOR	DYM Solution Co., Ltd
BORO	Borouge Pte. Ltd.
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
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.
NEO	Neochim AD
HUB	Central European Gas Hub AG
ISERV	OMV - International Services Ges.m.b.H.
KONAI	KOM MUNAI LLP
OETAL	Transalpine Ölleitung in Österreich Gesellschaft m.b.H.
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
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
OGG	GAS CONNECT AUSTRIA GmbH
OGI	OMV Gas Logistics Holding 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
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
OMVDM	OMV Deutschland Marketing & Trading GmbH & Co. KG
OMVDO	OMV Deutschland Operations GmbH & Co. KG
OMVDS	OMV Deutschland Services GmbH
OMVEP	OMV Exploration & Production GmbH
OMVINT	OMV International Oil & Gas GmbH
OMVRM	OMV Downstream 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 NZ Production Limited
ORMMEA	OMV Refining & Marketing Middle East & Asia GmbH
OSERB	OMV SRBIJA d.o.o.
OSLNZ	OMV NZ Services Limited
PARCO	Pak-Arab Refinery Limited
PCGAS	EEX CEGH Gas Exchange Services GmbH
OSTIT	OMV Supply & Trading Italia S.r.l.
PEARL	Pearl Petroleum Company Limited
OSUPE	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
PETPO	PetroPort Holding AB
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
PDYNHU	PETRODYNE-CSEPEL Zrt.
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.
SIOT	Società Italiana per l'Oleodotto Transalpino S.p.A.

SEBLMX	SapuraOMV Block 30, S. de R.L. de C.V.
SMATKG	SMATRICS GmbH & Co KG
SNGPRU	OJSC SEVERNEFTEGAZPROM
SEMXYM	SapuraOMV Upstream (Mexico) Sdn. Bhd.
SEMYBH	SapuraOMV Upstream (Malaysia) Inc.
TAG	Trans Austria Gasleitung GmbH
SEZMYM	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.
SEWEAU	SapuraOMV Upstream (Western Australia) Pty Ltd
SLOVJA	OMV SLOVENIJA trgovina z nafto in naftnimi derivati, d.o.o.
SNO	OMV Solutions GmbH
SOUPMY	SapuraOMV Upstream Sdn. Bhd.
TASBU	TASBULAT OIL CORPORATION LLP
TOPNZ	Taranaki Offshore Petroleum Company
YEALMA	OMV (YEMEN) Al Mabrar Exploration GmbH
YEM2	OMV (Yemen Block S 2) Exploration GmbH
YRGMRU	JSC GAZPROM YRGM Development

**c. Definitions****Liquidity ratios**

Current ratio = Current assets<sup>1</sup>/ Current liabilities<sup>2</sup>

Acid test = (Current assets<sup>1</sup> - Inventories)/ Current liabilities<sup>2</sup>

<sup>1</sup> include assets held for sale; <sup>2</sup> 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 %

**OMV PETROM S.A.**  
**SEPARATE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**DECEMBER 31, 2020**

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

**TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT**

## Contents

INDEPENDENT AUDITORS' REPORT	3
STATEMENT OF FINANCIAL POSITION	13
INCOME STATEMENT	15
STATEMENT OF COMPREHENSIVE INCOME	16
STATEMENT OF CHANGES IN EQUITY	17
STATEMENT OF CASH FLOWS	18
NOTES TO THE SEPARATE FINANCIAL STATEMENTS	20

# INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of OMV Petrom S.A. ("the Company") with official head office in 22 Coralilor Street, Petrom City, District 1, Bucharest, Romania identified by sole fiscal registration number RO1590082, which comprise the statement of financial position as at December 31, 2020, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2020, and of its financial performance and its cash flows for the year then ended in accordance with the Order of the Minister of Public Finance no. 2844/2016, approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications.

#### Basis for opinion

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

#### Key audit matters

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

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

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

Key audit matter	How our audit addressed the key audit matter
<p><b>Recoverability of the carrying value of property, plant and equipment (Upstream)</b></p> <p>As at 31 December 2020, the carrying value of the Upstream property, plant and equipment was RON 20,218 million, after a net impairment of RON 346 million recorded in 2020. The impairment mainly relates to oil &amp; gas assets.</p> <p>Under the International Financial Reporting Standards, an entity is required to assess, at least at each reporting date, whether indicators for potential impairment, or reversal of impairment previously recorded, exist and, if they exist, an impairment test is required.</p> <p>The assessment of the recoverability of the carrying amount of property, plant and equipment requires judgement in assessing whether there is an indication of impairment or reversal of a previously recognized impairment, in determining the level at which an asset or cash generating unit should be tested for impairment and in measuring the recoverable amount.</p> <p>An impairment assessment also involves management estimates, the most significant relating to estimates of future cash flows and discount rates, which are used in the evaluation of the recoverability of property, plant and equipment. These future cash flows from oil &amp; gas assets are mainly sensitive to assumptions relating to future oil and gas prices and production volumes.</p> <p>The Company's disclosures about property, plant and equipment and impairment adjustments are included in Note 2 (Judgements, Estimates and Assumptions), Note 6 (Property, Plant and Equipment), Note 22 (Cost information) and Note 26 (Segment information) to the financial statements.</p>	<p>We analysed the management's process for assessing the recoverability of the carrying amount of property, plant and equipment and performed procedures to evaluate the impairment test prepared by the management.</p> <p>Specifically, our work included, but was not limited to, the following procedures:</p> <ul style="list-style-type: none"> <li>▶ Performed a detailed understanding of the Company's internal process and related documentation flow and key controls associated with the impairment testing process;</li> <li>▶ Assessed the determination of cash generating units;</li> <li>▶ Compared the assumptions used in the future cash flow estimates with approved budgets and business plans;</li> <li>▶ Compared production volumes to oil and gas reserves;</li> <li>▶ Compared the future short and long-term oil and gas prices used in the Company's budgets to consensus analysts' forecasts and those adopted by other international oil companies;</li> <li>▶ Assess the consideration of Covid-19-pandemic impact in the cash flow estimates;</li> <li>▶ Assessed the historical accuracy of management's budgets and forecasts (in terms of production volumes and operating costs) by comparing them to actual performance and to prior year;</li> <li>▶ Checked the mathematical accuracy of management's cash flow model for determining the value-in-use and its conformity with the requirements of the International Financial Reporting Standards;</li> <li>▶ Involved our valuation specialists to assist us in the analysis of discount rates and inflation rates;</li> <li>▶ Evaluated the management's sensitivity analysis over key assumptions in the future cash flow model in order to assess the potential impact of possible changes; and</li> <li>▶ Assessed the adequacy of the Company's disclosures in the financial statements.</li> </ul>

Key audit matter	How our audit addressed the key audit matter
<p><b>Recoverability of the carrying value of Brazi gas fired power plant</b></p> <p>The carrying value of Brazi gas fired power plant was RON 1,346 million as at 31 December 2020, after an impairment reversal of RON 519 million recorded in 2020.</p> <p>Under the International Financial Reporting Standards, an entity is required to assess, at least at each reporting date, whether indicators for potential impairment, or reversal of impairment previously recorded, exist and, if they exist, an impairment test is required.</p> <p>The assessment of the recoverability of the carrying amount of Brazi gas fired power plant requires judgement in assessing whether there is an indication that an asset or a cash generating unit should be impaired or an impairment may be reversed and in measuring any such impairment adjustment.</p> <p>An impairment assessment also involves management estimates, the most significant relating to estimates of future cash flows and discount rates, which are used in the evaluation of the recoverability of the carrying value of the Brazi gas fired power plant. These future cash flows are mainly sensitive to assumptions regarding spark spreads (being the differences between the electricity prices and the gas and CO2 certificates prices) and the power quantity produced that are affected by expected future performance and market conditions.</p> <p>The Company's disclosures about intangible assets, property, plant and equipment and related impairment testing are included in Note 2 (Judgements, Estimates and Assumptions), Note 5 (Intangible assets), Note 6 (Property, Plant and Equipment), Note 22 (Cost information) and Note 26 (Segment information) to the financial statements.</p>	<p>We analysed the management's process for assessing recoverability of the Brazi gas fired power plant cash generating unit and performed procedures to evaluate the impairment test prepared by management.</p> <p>Specifically, our work included, but was not limited to the following procedures:</p> <ul style="list-style-type: none"> <li>▶ Performed a detailed understanding of the Company's internal process and related documentation flow and key controls associated with the impairment testing process;</li> <li>▶ Compared the assumptions used within the future cash flow estimates with approved budgets and business plans;</li> <li>▶ Corroborated with supporting evidence the main assumptions included in the determination of value in use;</li> <li>▶ Checked the mathematical accuracy of management's cash flow model for determining the value-in-use and its conformity with the requirements of the International Financial Reporting Standards;</li> <li>▶ Involved our valuation specialists to assist us in the analysis of discount rates and inflation rates;</li> <li>▶ Evaluated the management's sensitivity analysis over key assumptions in the future cash flow model in order to assess the potential impact of a range of possible changes; and</li> <li>▶ Assessed the adequacy of the Company's disclosures in the financial statements.</li> </ul>

Key audit matter	How our audit addressed the key audit matter
<p><b>Recoverability of intangible exploration and evaluation (E&amp;E) assets</b></p> <p>The carrying value of intangible E&amp;E assets was RON 2,504 million at 31 December 2020, after write offs (impairment) of RON 599 million recorded in 2020.</p> <p>Under IFRS 6, Exploration for and Evaluation of Mineral Resources, exploration and evaluation assets shall be assessed for impairment when facts and circumstances suggest that the carrying value of an exploration and evaluation asset may exceed its recoverable amount.</p> <p>The assessment of the carrying value requires management to apply significant judgements and estimates in assessing whether any impairment has arisen at year end, and in quantifying any such impairment.</p> <p>The key estimates and assumptions relate to management's intention to proceed with a future work program for a prospect or license, the likelihood of license renewal, and the success of drilling and geological analysis to date.</p> <p>The Company's disclosures about intangible E&amp;E assets and related impairment testing are included in Note 2 (Judgements, Estimates and Assumptions), Note 5 (Intangible Assets) and Note 22 (Cost information) to the financial statements.</p>	<p>We evaluated management's assessment of the carrying value of E&amp;E assets performed with reference to the criteria of IFRS 6 and the Company's accounting policy.</p> <p>Specifically, our work included, but was not limited to, the following procedures:</p> <ul style="list-style-type: none"> <li>▶ Inquired whether the management has the intention to carry out exploration and evaluation activity for the main E&amp;E projects, which included discussions with senior management as to the intentions and strategy of the Company and reviewed the Executive Board minutes of meetings where exploration plans and strategies were discussed;</li> <li>▶ Read Executive Board minutes of meetings and considered whether there were negative indicators that certain projects might be unsuccessful;</li> <li>▶ Discussed with management about the status of the largest exploration projects;</li> <li>▶ Assessed whether the Company has the ability to finance any planned future exploration and evaluation activity, which included review of the Executive Board minutes of meetings for any indications about the lack of such ability or intention and checking that the investment budget for the next year includes funds for main exploration and evaluation projects;</li> <li>▶ Assessed the existence of any fields where the Company's right to explore is either at, or close to, expiry and reviewed management's assessment whether there are any risks related to renewal of the license;</li> <li>▶ Analysed the management's assumptions where an exploration and evaluation asset has been impaired; and</li> <li>▶ Assessed the adequacy of the Company's disclosures in the financial statements.</li> </ul>

Key audit matter	How our audit addressed the key audit matter
<p><b>Estimation of oil and gas reserves</b></p> <p>Oil and gas reserves are an indicator of the future potential of the Company's performance. Furthermore, they have an impact on the financial statements as they are the basis for:</p> <ul style="list-style-type: none"> <li>▶ production profiles used in future cash flow estimates;</li> <li>▶ depreciation, amortization and impairment charges for the core assets in the Upstream segment.</li> </ul> <p>The estimation of oil and gas reserves requires significant judgement and assumptions made by management and engineers due to the technical uncertainty in assessing quantities.</p> <p>The Company's disclosures about estimation of oil and gas reserves are included in Note 2 (Judgements, Estimates and Assumptions) to the financial statements.</p>	<p>Our procedures have focused on management's estimation process in the determination of oil and gas reserves.</p> <p>Specifically, our work included, but was not limited to, the following procedures:</p> <ul style="list-style-type: none"> <li>▶ Performed a detailed understanding of the Company's internal process and related documentation flow and key controls associated with the oil and gas reserves estimation process;</li> <li>▶ Tested controls of the oil and gas reserves review process;</li> <li>▶ Analysed the internal certification process for technical and commercial specialists who are responsible for oil and gas reserves estimation;</li> <li>▶ Assessed the competence of both management internal and external specialists and the objectivity and independence of external specialist, to consider whether they were appropriately qualified to carry out the estimation of oil and gas reserves;</li> <li>▶ Analysed the report of the management's external specialist, on their review of Company's estimated oil and gas reserves (latest report as at 1 July 2018 for the reserves as of 31 December 2017);</li> <li>▶ Tested whether significant additions or reductions in oil and gas reserves were made in the period in which the new information became available and in compliance with Company's Reserves and Resources Guidelines;</li> <li>▶ Tested that the updated oil and gas reserve estimates were included appropriately in the Company's consideration of impairment and in accounting for depreciation and amortization; and</li> <li>▶ Assessed the adequacy of the Company's disclosures in the financial statements.</li> </ul>

Key audit matter	How our audit addressed the key audit matter
<p><b>Estimation of decommissioning and restoration provisions and environmental provisions</b></p> <p>The total decommissioning and restoration provision and the environmental provision was RON 7,511 million and RON 410 million respectively at 31 December 2020.</p> <p>The Company's core activities regularly lead to obligations related to dismantling and removal, asset retirement and soil remediation activities.</p> <p>The key estimates and assumptions relate to management's estimates of future costs, discount rates and inflation rates which are used to project the decommissioning, restoration and environmental obligations.</p> <p>The Company's disclosures about decommissioning, restoration and environmental obligations are included in Note 2 (Judgements, Estimates and Assumptions) and Note 13 (Provisions) to the financial statements.</p>	<p>We assessed management's annual estimation of provision for decommissioning and restoration obligation and environmental obligation.</p> <p>Specifically, our work included, but was not limited to, the following procedures:</p> <ul style="list-style-type: none"> <li>▶ Performed a detailed understanding of the Company's decommissioning and restoration obligations estimation process and the related documentation flow and the assessment of the design and implementation of the controls within the process;</li> <li>▶ Compared the current estimates of decommissioning, restoration and environmental costs with the actual costs previously incurred. Where no previous data was available, we have reconciled cost estimates to third party evidence or the Company's engineers' estimates;</li> <li>▶ Discussed with the management the estimates of allocation over time of works to be performed for surface and subsurface decommissioning for wells;</li> <li>▶ Inspected supporting evidence for any material revisions in cost estimates during the year;</li> <li>▶ Involved our valuation specialists to assist us in the analysis of discount rates and inflation rates;</li> <li>▶ Tested the mathematical accuracy of decommissioning and restoration provision and environmental provision calculations; and</li> <li>▶ Assessed the adequacy of the Company's disclosures in the financial statements.</li> </ul>

Key audit matter	How our audit addressed the key audit matter
<p><b>Recoverability of receivable from the Romanian State</b></p> <p>As part of the privatization agreement, the Company is entitled to the reimbursement by the Romanian State of part of wells abandonment (decommissioning) and environmental costs incurred to restore and clean up areas pertaining to activities prior to privatization in 2004. Consequently, the Company has recorded as receivable from the Romanian State the corresponding estimated decommissioning obligations having a net present value of RON 2,152 million as at December 31, 2020 and the environmental obligations in Downstream Oil with a total net present value of RON 250 million.</p> <p>The measurement of the receivable from the Romanian State, requires management to make significant judgements and estimates to address the uncertainty around the specific expenditure that is recoverable from Romanian State. The assessment process considers inter alia the history of amounts claimed, documentation process related requirements and potential litigation or arbitration proceedings.</p> <p>The Company's disclosures about environmental and decommissioning state receivable are included in Note 2 (Judgements, Estimates and Assumptions) and in Note 8 (Trade Receivables and Other Financial Assets) to the financial statements.</p>	<p>We assessed management's estimate regarding recoverability of the receivable from the Romanian State.</p> <p>Specifically, our work included, but was not limited to, the following procedures:</p> <ul style="list-style-type: none"> <li>▶ Read the stipulations of the Annex P of the privatization agreement dated 23 July 2004, related to the acquisition by OMV Aktiengesellschaft of shares in the National Petroleum Company Petrom SA, as approved by Law no. 555/2004. Annex P includes stipulations related to the obligation of the seller (i.e. Ministry of Economy and Commerce) to reimburse the Company for historical environmental losses and abandonment costs, provided certain conditions are met;</li> <li>▶ Analysed the management's assessment of the recoverability of the receivable from the Romanian State, including the history of amounts claimed vs. amounts accepted and reimbursed, and discussed with management about the status of the notices of claims submitted to the Romanian State and of the Arbitration process;</li> <li>▶ Obtained and read the independent lawyers' assessment of the status of the Arbitration, that was considered by the Company for the measurement of the State Receivable;</li> <li>▶ Traced the receivables for which notices of claim have been submitted to the respective notices of claims;</li> <li>▶ Traced the receivables for which decommissioning was performed but the notices of claim have not yet been submitted to the respective decommissioning costs;</li> <li>▶ Traced the receivables for which decommissioning has not yet been performed against the respective decommissioning provisions;</li> <li>▶ Discussed with the management estimates of timing of collection;</li> <li>▶ Involved our valuation specialists to assist us in the analysis of discount rates and inflation rates</li> <li>▶ Tested the mathematical accuracy of the calculation of the net present value of the receivables recorded; and</li> <li>▶ Assessed the adequacy of the Company's disclosures in the financial statements.</li> </ul>

### **Other information**

Other information consists of the information included in the Company's 2020 Supervisory Board Report on the separate financial statements, the Directors' Report on the separate financial statements, the Annual Report prepared for OMV Petrom Group, the Report on payments to governments for OMV Petrom SA and the Sustainability report, but does not include the financial statements and our auditor's report thereon. We obtained the Directors' Report on the separate financial statements, the Annual report of OMV Petrom Group and the Report on payments to governments for OMV Petrom SA prior to the issuance of our auditor's report, and we expect to obtain the Report of the Supervisory Board and the Sustainability report after the issuance of our auditor's report. Management is responsible for the other information.

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

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

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

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

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

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

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

## **Report on Other Legal and Regulatory Requirements**

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

In addition to our reporting responsibilities according to ISAs described in section "Other information", with respect to the Directors' Report on the separate financial statements, we have read the Directors' Report on the separate financial statements and report that:

- a) in the Directors' Report on the separate financial statements we have not identified information which is not consistent, in all material respects, with the information presented in the accompanying financial statements as at December 31, 2020;

- b) the Directors' Report on the separate financial statements identified above includes, in all material respects, the required information according to the provisions of the Ministry of Public Finance Order no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications, Annex 1 points 15 – 19;
- c) based on our knowledge and understanding concerning the entity and its environment gained during our audit of the financial statements as at December 31, 2020, we have not identified information included in the Directors' Report on the separate financial statements that contains a material misstatement of fact.

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

#### **Appointment and Approval of Auditor**

We were appointed as auditors of the Company by the General Meeting of Shareholders on April 27, 2020 to audit the financial statements for the financial year end December 31, 2020. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 10 years, covering the financial periods end December 31, 2011 till December 31, 2020.

#### **Consistency with Additional Report to the Audit Committee**

Our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on February 3, 2021.

#### **Provision of Non-audit Services**

No prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Company and we remain independent from the Company in conducting the audit. In addition to statutory audit services and services disclosed in the notes to the financial statements, no other services were provided by us to the Company, and its controlled undertakings.

On behalf of,

#### **Ernst & Young Assurance Services SRL**

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

Registered in the electronic Public Register under No. FA77

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

Bucharest, Romania  
17 March 2021

# OMV PETROM S.A.

## STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2020

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

	Notes	December 31, 2020	December 31, 2019
<b>ASSETS</b>			
Intangible assets	5	2,620.93	3,121.64
Property, plant and equipment	6	25,872.41	25,594.27
Investments	7	1,747.47	1,896.99
Other financial assets	8	2,425.37	2,497.85
Other assets	9	221.80	203.92
Deferred tax assets	17	1,464.75	1,411.81
<b>Non-current assets</b>		<b>34,352.73</b>	<b>34,726.48</b>
Inventories	10	1,652.09	1,952.39
Trade receivables	8	1,309.30	1,857.34
Other financial assets	8	1,207.63	472.68
Other assets	9	183.58	369.66
Cash and cash equivalents		7,304.97	6,795.30
<b>Current assets</b>		<b>11,657.57</b>	<b>11,447.37</b>
Assets held for sale	11	719.24	217.20
<b>Total assets</b>		<b>46,729.54</b>	<b>46,391.05</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	12	5,664.41	5,664.41
Reserves		26,348.53	26,686.54
<b>Total equity</b>		<b>32,012.94</b>	<b>32,350.95</b>
Provisions for pensions and similar obligations	13	205.40	232.32
Interest-bearing debts	14	108.94	197.88
Lease liabilities	6, 15	340.22	399.78
Provisions for decommissioning and restoration obligations	13	7,244.66	6,390.38
Other provisions	13	634.79	582.07
Other financial liabilities	15	4.21	62.55
Other liabilities	16	14.09	13.89
<b>Non-current liabilities</b>		<b>8,552.31</b>	<b>7,878.87</b>

	Notes	December 31, 2020	December 31, 2019
Trade payables	15	2,323.59	2,665.96
Interest-bearing debts	14	1,509.15	1,510.04
Lease liabilities	6, 15	120.62	111.24
Income tax liabilities		38.30	173.50
Other provisions and decommissioning	13	505.52	560.95
Other financial liabilities	15	747.84	324.04
Other liabilities	16	645.56	591.75
<b>Current liabilities</b>		<b>5,890.58</b>	<b>5,937.48</b>
Liabilities associated with assets held for sale	11	273.71	223.75
<b>Total equity and liabilities</b>		<b>46,729.54</b>	<b>46,391.05</b>

These financial statements were approved on March 17, 2021.

\_\_\_\_\_  
 Christina Verchere,  
 Chief Executive Officer  
 President of the EB

\_\_\_\_\_  
 Alina Popa,  
 Chief Financial Officer  
 Member of the EB

\_\_\_\_\_  
 Christopher Veit,  
 Member of the EB  
 Upstream

\_\_\_\_\_  
 Franck Neel,  
 Member of the EB  
 Downstream Gas

\_\_\_\_\_  
 Radu Căprău,  
 Member of the EB  
 Downstream Oil

\_\_\_\_\_  
 Irina Dobre,  
 Vice President Finance Department

\_\_\_\_\_  
 Nicoleta Drumea,  
 Head of Financial Reporting

# OMV PETROM S.A.

## INCOME STATEMENT

### FOR THE YEAR ENDED DECEMBER 31, 2020

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

	Notes	2020	2019
Sales revenues	18, 26	15,437.24	19,943.71
Other operating income	19	407.16	221.21
Net income from consolidated subsidiaries and investments in associates	20	665.11	616.21
<b>Total revenues and other income</b>		<b>16,509.51</b>	<b>20,781.13</b>
Purchases (net of inventory variation)		(5,939.65)	(7,568.34)
Production and operating expenses		(3,416.87)	(3,450.55)
Production and similar taxes		(857.58)	(1,176.29)
Depreciation, amortization, impairments and write-ups	22	(2,884.08)	(3,270.92)
Selling, distribution and administrative expenses		(769.05)	(828.32)
Exploration expenses		(806.67)	(237.66)
Other operating expenses	21	(336.79)	(232.07)
<b>Operating result</b>	<b>26</b>	<b>1,498.82</b>	<b>4,016.98</b>
Interest income	23	335.29	324.11
Interest expenses	23	(319.80)	(307.53)
Other financial income and expenses	24	(10.41)	51.08
<b>Net financial result</b>		<b>5.08</b>	<b>67.66</b>
<b>Profit before tax</b>		<b>1,503.90</b>	<b>4,084.64</b>
Taxes on income	25	(122.32)	(521.05)
<b>Net income for the year</b>		<b>1,381.58</b>	<b>3,563.59</b>

These financial statements were approved on March 17, 2021.

\_\_\_\_\_  
 Christina Verchere,  
 Chief Executive Officer  
 President of the EB

\_\_\_\_\_  
 Alina Popa,  
 Chief Financial Officer  
 Member of the EB

\_\_\_\_\_  
 Christopher Veit,  
 Member of the EB  
 Upstream

\_\_\_\_\_  
 Franck Neel,  
 Member of the EB  
 Downstream Gas

\_\_\_\_\_  
 Radu Căprău,  
 Member of the EB  
 Downstream Oil

\_\_\_\_\_  
 Irina Dobre,  
 Vice President Finance Department

\_\_\_\_\_  
 Nicoleta Drumea,  
 Head of Financial Reporting

# OMV PETROM S.A.

## STATEMENT OF COMPREHENSIVE INCOME

### FOR THE YEAR ENDED DECEMBER 31, 2020

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

	2020	2019
<b>Net income for the year</b>	<b>1,381.58</b>	<b>3,563.59</b>
Gains/(losses) on hedges arising during the year	467.80	24.69
Reclassification of (gains)/losses on hedges to income statement	(371.31)	3.26
<b>Total of items that may be reclassified ("recycled") subsequently to the income statement</b>	<b>96.49</b>	<b>27.95</b>
Remeasurement gains/(losses) on defined benefit plans	(12.25)	(24.16)
Gains/(losses) on hedges that are subsequently transferred to the carrying amount of the hedged item	(134.60)	-
<b>Total of items that will not be reclassified ("recycled") subsequently to the income statement</b>	<b>(146.85)</b>	<b>(24.16)</b>
Income tax relating to items that may be reclassified ("recycled") subsequently to the income statement	(15.44)	(4.47)
Income tax relating to items that will not be reclassified ("recycled") subsequently to the income statement	23.50	3.87
<b>Total income tax relating to components of other comprehensive income</b>	<b>8.06</b>	<b>(0.60)</b>
<b>Other comprehensive income/(loss) for the year, net of tax</b>	<b>(42.30)</b>	<b>3.19</b>
<b>Total comprehensive income for the year</b>	<b>1,339.28</b>	<b>3,566.78</b>

# OMV PETROM S.A.

## STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR ENDED DECEMBER 31, 2020

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

#### Statement of changes in equity for the year ended December 31, 2020

	Share capital	Revenue reserves	Cash flow hedge reserve	Other reserves	Treasury shares	Total equity
<b>Balance at January 1, 2020</b>	<b>5,664.41</b>	<b>26,583.21</b>	<b>27.70</b>	<b>75.65</b>	<b>(0.02)</b>	<b>32,350.95</b>
Net income for the year	-	1,381.58	-	-	-	<b>1,381.58</b>
Other comprehensive income/(loss) for the year	-	(10.29)	(32.01)	-	-	<b>(42.30)</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>1,371.29</b>	<b>(32.01)</b>	<b>-</b>	<b>-</b>	<b>1,339.28</b>
Dividends distribution	-	(1,755.96)	-	-	-	<b>(1,755.96)</b>
Reclassification of cash flow hedges to balance sheet	-	-	78.67	-	-	<b>78.67</b>
<b>Balance at December 31, 2020</b>	<b>5,664.41</b>	<b>26,198.54</b>	<b>74.36</b>	<b>75.65</b>	<b>(0.02)</b>	<b>32,012.94</b>

#### Statement of changes in equity for the year ended December 31, 2019

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

For details on equity components, see Note 12.

# OMV PETROM S.A.

## STATEMENT OF CASH FLOWS

### FOR THE YEAR ENDED DECEMBER 31, 2020

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

	Notes	2020	2019
<b>Profit before tax</b>		<b>1,503.90</b>	<b>4,084.64</b>
Dividend income		(562.20)	(558.99)
Interest income	23	(263.10)	(231.43)
Interest expenses and other financial expenses	23, 24	53.87	64.01
Net movement in provisions and allowances for:			
- Investments and loans		(122.19)	(108.98)
- Inventories		9.56	(1.86)
- Receivables		(23.99)	(34.06)
- Pensions and similar liabilities		(39.17)	4.78
- Decommissioning and restoration obligations		74.96	30.29
- Other provisions for risk and charges		33.56	230.02
Gain on transfer of business	29	-	(51.77)
Net gains on the disposal of non-current assets	19, 21	(43.47)	(14.35)
Depreciation, amortization and impairments including write-ups		3,565.87	3,401.89
Other non-monetary adjustments	29	(105.66)	(233.47)
Dividends received		562.20	558.99
Interest received		195.47	176.49
Interest and other financial costs paid		(48.51)	(58.12)
Tax on profit paid		(315.90)	(569.47)
<b>Cash generated from operating activities before working capital movements</b>		<b>4,475.20</b>	<b>6,688.61</b>
(Increase)/decrease in inventories		284.50	(271.04)
Decrease in receivables and other assets		642.10	210.32
Increase/(decrease) in liabilities		(7.98)	292.59
<b>Cash flow from operating activities</b>		<b>5,393.82</b>	<b>6,920.48</b>

	Notes	2020	2019
<b>Investments</b>			
Intangible assets and property, plant and equipment		(3,056.25)	(3,695.95)
Investments in subsidiaries	29	(41.43)	124.26
Net loans reimbursed by/(given to) subsidiaries	29	(109.29)	126.48
<b>Disposals</b>			
Proceeds in relation to non-current assets	29	201.27	246.71
Proceeds from transfer of business	29	-	78.58
Proceeds from disposal of investments	29	71.59	-
<b>Cash flow from investing activities</b>		<b>(2,934.11)</b>	<b>(3,119.92)</b>
Net repayment of loans taken from subsidiaries	29	(42.74)	(84.46)
Net repayments of other borrowings	29	(163.04)	(307.71)
Dividends paid		(1,740.32)	(1,515.82)
<b>Cash flow from financing activities</b>		<b>(1,946.10)</b>	<b>(1,907.99)</b>
Effect of foreign exchange rate changes on cash and cash equivalents		(3.94)	1.38
<b>Net increase in cash and cash equivalents</b>		<b>509.67</b>	<b>1,893.95</b>
Cash and cash equivalents at the beginning of the year		6,795.30	4,901.35
<b>Cash and cash equivalents at the end of the year</b>		<b>7,304.97</b>	<b>6,795.30</b>

# OMV PETROM S.A.

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2020

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

#### 1. LEGAL PRINCIPLES AND BASIS OF PREPARATION

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

##### Stockholders' structure as at December 31, 2020 and 2019

	Percent 2020	Percent 2019
OMV Aktiengesellschaft	51.011%	51.011%
Romanian State	20.639%	20.639%
Fondul Proprietatea S.A.	6.997%	9.998%
Legal entities and private individuals	21.353%	18.352%
<b>Total</b>	<b>100.000%</b>	<b>100.000%</b>

As of December 31, 2020 the number of Global Depository Receipts (GDRs) was 181,611, equivalent of 27,241,650 ordinary shares, representing 0.048% of the share capital.

As of December 31, 2019 the number of GDRs was 182,780, equivalent of 27,417,000 ordinary shares, representing 0.048% of the share capital.

##### Statement of compliance

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

The Company also prepares consolidated financial statements in accordance with IFRS as endorsed by the EU, which are available on the Company's website:

[www.omvpetrom.com/portal/01/petromcom/petromcom/OMV\\_Petrom/Relatia\\_cu\\_investitorii](http://www.omvpetrom.com/portal/01/petromcom/petromcom/OMV_Petrom/Relatia_cu_investitorii).

The financial year corresponds to the calendar year.

##### Basis of preparation

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

## 2. JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

Changes in estimates are accounted for prospectively.

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

### Estimates and assumptions

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

#### a) Oil and gas reserves

Mineral reserves (oil and gas reserves) are estimated by the Company's own engineers, in accordance with international and industry agreed standards, based on the availability of geological and engineering data, reservoir performance data, drilling of new wells and commodity prices. The estimates are audited externally periodically (usually every two years). The last external audit for oil and gas reserves was performed in 2018. Commercial reserves are determined using estimates of hydrocarbons in place, recovery factors and future oil and gas prices.

The oil and gas assets are depreciated on a unit of production basis at a rate calculated by reference to either total proved or proved developed reserves (please refer to Depreciation, amortization and depletion accounting policy below), determined as presented above. The carrying amount of oil and gas assets at December 31, 2020 is shown in Notes 5 and 6.

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

## b) Decommissioning costs

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

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

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

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

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

## c) Impairment of non-financial assets

The Company assesses each asset or cash generating unit (CGU) at each reporting period to determine whether any indication of impairment exists. When an indicator exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. Except for the assets whose carrying amount will be recovered through a sale transaction rather than through continuing use, for all impairment tests performed, the recoverable amount was based on value in use. The assessments require the use of different estimates and assumptions depending on the business such as crude oil prices, discount rates, reserves, growth rates, gross margins and spark spreads. The key estimates and assumptions used bear the risk of change due to the inherent volatile nature of various macro-economic factors and the uncertainty in asset or CGU specific factors like reserve volumes and production profiles, which can impact the recoverable amount of assets and/or CGUs.

### **Impairment testing in Upstream**

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

In 2020, the Company updated its mid-term plan and revised its long-term planning assumptions to reflect changes in the market environment. In addition, the short-term oil price assumption were updated in order to reflect the significant decrease in oil prices in 2020.

The nominal oil price assumptions and the RON/USD exchange rates are listed below:

<b>Oil price assumptions in 2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Brent oil price (USD/bbl)	50	60	60	65	65
RON/USD exchange rate	4.30	4.30	4.30	4.30	4.30
Brent oil price (RON/bbl)	215	258	258	280	280

<b>Oil price assumptions in 2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Brent oil price (USD/bbl)	60	70	70	75	75
RON/USD exchange rate	4.22	4.22	4.22	4.22	4.22
Brent oil price (RON/bbl)	253	295	295	316	316

For the years 2026 until 2029, the company assumed a Brent oil price of USD 65/bbl which is expected to gradually decline to USD 60/bbl until 2035. From 2035 onwards, the company applied a Brent oil price of USD 60/bbl. All before mentioned assumptions for the years after 2025 are based on 2025 real terms.

The assumptions used for oil prices for short and medium term are based on management's best estimate and were consistent with external sources. The long-term assumptions were consistent with data provided by external studies and consider long-term views of global supply and demand.

The above revisions led to impairments (net of write-ups) of RON 346.37 million before tax and write-offs of exploration intangibles of RON 599.09 million before tax. The recoverable amounts of impaired assets or for which a reversal of impairment was booked amounted to RON 2,730.42 million. The after-tax discount rate used was 9.7%. The recoverable amount was based on the value in use.

An increase of 1 percentage point in the after-tax discount rates would lead to an additional after-tax impairment of approximately RON 150 million. Furthermore, a Brent oil price decrease of USD 10/bbl per year would lead to an additional after-tax impairment of approximately RON 2.5 billion.

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

#### **Impairment testing in Downstream**

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

In 2020 and 2019, based on management estimations it was concluded that there were no triggering indicators for performing an impairment test in Downstream Oil.

In the Downstream Gas business, besides discount rates, the main valuation assumptions for the calculation of the recoverable amounts are the spark spreads (being the differences between the electricity prices and the cost of gas and cost of CO2 certificates) and net electrical output for the power plant. The assumptions used for prices are based on management's best estimate, considering specifics of local market as well as the correlation between the local and regional markets.

In 2020, the long-term power and CO2 price assumptions were revised taking into account the improved power generation market, favoring gas fired power plants as compared with coal fired power plants. This led to the full reversal of impairments for Brazi gas fired power plant, in amount of RON 518.65 million before tax based on an after-tax discount rate of 4.26%.

An increase of 1 percentage point in the after-tax discount rates would not change the amount of the reversal, as the recoverable amount would be still higher than the write-up cap. Also, a decrease of 25% in the spark-spread would not have an impact on the reversal booked.

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

#### d) Exploration and evaluation expenditure

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

#### e) Recoverability of Romanian State receivable

Management is periodically assessing the recoverability of the receivable related to expenditure recoverable from the Romanian State related to obligations for decommissioning and environmental costs, which was recognized based on the privatization agreement. The assessment process considers inter alia the history of amounts claimed, documentation process related requirements and potential litigation or arbitration proceedings. For more details, see Note 8 b).

### Judgments

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

#### f) Cash generating units

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

#### g) Contingencies

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

## h) Lease term and incremental borrowing rate

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

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

## 3. ACCOUNTING AND VALUATION PRINCIPLES

### 3.1. Changes in accounting policies

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

#### First-time adoption of amended standards

The Company has adopted the following amended standards with a date of initial application of January 1, 2020:

- ▶ Amendments to IFRS 3 Business Combinations: Definition of a Business
- ▶ Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform
- ▶ Amendments to IAS 1 and IAS 8: Definition of Material
- ▶ Amendments to References to the Conceptual Framework in IFRS Standards

The amendments did not have any material impact on the company's financial statements.

#### Change in income statement presentation

Starting with 2020, reversals of impairments on tangible and intangible assets are reported within the line "Depreciation, amortization, impairments and write-ups" in order to improve the international comparability of the income statement presentation. The prior year figures have been adjusted accordingly. The voluntary change in accounting policy has no effect on the operating result.

#### Adjustments to income statement items

in RON million	2019 (old)	Reclassification	2019 (new)
Other operating income	226.39	(5.18)	221.21
Total revenues and other income	20,786.31	(5.18)	20,781.13
Depreciation, amortization, impairments and write-ups	(3,276.10)	5.18	(3,270.92)

## 3.2. New and revised standards not yet mandatory

The Company has not applied the following new or revised IFRSs that have been issued but are not yet effective. They are not expected to have any material effects on the Company's financial statements. EU endorsement is still pending in some cases.

<b>Standards and amendments</b>	<b>IASB effective date</b>
Amendments to IFRS 16 Leases: Covid 19 Related Rent Concessions	June 1, 2020
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform - Phase 2	January 1, 2021
Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework	January 1, 2022
Amendments to IAS 16 Property, Plant and Equipment: Proceeds before intended use	January 1, 2022
Amendments to IAS 37: Onerous Contracts - Cost of Fulfilling a Contract	January 1, 2022
Annual Improvements to IFRS Standards 2018-2020	January 1, 2022
Amendments to IAS 1: Classification of Liabilities as Current and Non-Current	January 1, 2023
Amendment to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	postponed indefinitely

## 3.3. Summary of accounting and valuation principles

### a) Pre-licence costs

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

### b) Licence acquisition costs

Exploration licence acquisition costs are capitalized in intangible assets.

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

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

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

### c) Exploration and evaluation costs

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

### d) Development and production costs

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

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

### e) Intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are recognized at cost of acquisition or construction (including costs of major inspection and general overhauls) and are presented net of accumulated depreciation and impairment losses.

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

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

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

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

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

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

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

Under the successful efforts method individual mineral interests and other assets are combined to cost centers (fields, blocks, areas), which are the basis for depreciation and impairment testing. If single wells or other assets from a pooled depreciation base with proved reserves are abandoned, the accumulated depreciation for the single asset might be not directly identifiable. In general, irrespective if book values of abandoned assets are identifiable, no loss is recognized from the partial relinquishment of assets from a pooled depreciation base as long as the remainder of the group of properties continues to produce oil or gas. It is assumed that the abandoned or retired asset is fully amortized. The capitalized costs for the asset are charged to the accumulated depreciation base of the cost center. Where an asset or part of an asset, that was separately depreciated and is now written off, is replaced and it is probable that future economic benefits associated with the item will flow to the Company, the expenditure is capitalized. Where part of the asset replaced was not separately considered as a component and therefore not depreciated separately, the replacement value is used to estimate the carrying amount of the replaced asset(s) which is immediately written off.

Transactions in which control of an exploration entity is obtained are treated as asset acquisitions, if the entity does not constitute a business as defined by IFRS 3 Business Combinations.

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

#### **Impairment of intangible assets and property, plant and equipment**

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

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. The cash flows are generally derived from recent budgets and planning calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated.

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

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

#### **f) Major maintenance and repairs**

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

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

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

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

## g) Research and development

Expenditure related to research activities is recognized as expense in the period in which it is incurred. Research and development (R&D) expenses include all direct and indirect materials, personnel and external services costs incurred in connection with the focused search for new insights related to the development and significant improvement of products, services and processes and in connection with research activities. Development costs are capitalized if the recognition criteria according to IAS 38 are fulfilled.

## h) Leases

OMV Petrom as a lessee recognizes lease liabilities and right-of-use assets for lease contracts according to IFRS 16. It applies the recognition exemption for short-term leases and leases in which the underlying asset is of low value and therefore does not recognize right-of-use assets and lease liabilities for such leases. Leases to explore for and use oil and natural gas, which comprise mainly land leases used for such activities, are not in the scope of IFRS 16. The rent for these contracts is recognized on a straight-line basis over the contract term.

At the commencement date of the lease (i.e. the date the underlying asset is available for use), lease liabilities are recognized at the net present value of fixed lease payments and lease payments which depend on an index or rate over the determined lease term with the applicable discount rate. The amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there are changes in the lease term, lease payments or in the assessment of an option to purchase the underlying asset.

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

Non-lease components are separated from the lease components for the measurement of right-of-use assets and lease liabilities.

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

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

## i) Financial instruments

### **Non-derivative financial assets**

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

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

- ▶ the asset is held within the business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ▶ the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

OMV Petrom recognizes allowances for expected credit losses (ECLs) for financial assets measured at amortized costs. The ECL calculation is based on external or internal credit ratings of the counterparty, associated probabilities of default and loss given default. External credit rating is based mainly on reports issued by well-known rating agencies and is reflected in OMV Petrom by grouping financial assets in five risk classes (risk class 1 being the lowest risk category).

The probabilities of default used for each risk class, as presented in Note 8, are based on Standard & Poor's average global corporate default rates. A loss given default of 45% was applied for computation of ECL of financial assets which are not credit impaired.

ECLs are recognized in two stages:

- i. Where there has not been a significant increase in the credit risk since initial recognition, credit losses are measured at 12 month ECLs. The 12 month ECL is the credit loss which results from default events that are possible within the next 12 months. The Company considers a financial asset to have low credit risk when its credit risk rating is equivalent to the definition of 'investment grade'.
- ii. Where there has been a significant increase in the credit risk since initial recognition, a loss allowance is required for the lifetime ECL, i.e. the expected credit losses resulting from possible default events over the expected life of a financial asset. For this assessment, OMV Petrom considers all reasonable and supportable information that is available without undue cost or effort. Furthermore, OMV Petrom assumes that the credit risk on a financial asset has significantly increased if it is more than 30 days past due. If the credit quality improves for a lifetime ECL asset, OMV Petrom reverts to recognizing allowances on a 12 month ECL basis. A financial asset is considered to be in default when the financial asset is 90 days past due unless there is reasonable and supportable information that demonstrate that a more lagging default criterion is appropriate. A financial asset is written off when there is no reasonable expectation that the contractual cash flows will be recovered.

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

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

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

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

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

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

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

#### **Non-derivative financial liabilities**

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

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

#### **Derivative financial instruments and hedge accounting**

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

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

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

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

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

## j) Borrowing costs

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

## k) Government grants

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

## l) Inventories

Inventories are recognized at the lower of cost and net realizable value, except for inventories held for trading which are measured at fair value less cost to sell. Net realizable value is the estimated selling price in the normal course of activity less any selling expenses.

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

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

## m) Provisions

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

### **Decommissioning and environmental obligations**

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

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

These decommissioning and restoration obligations are mainly of material importance in the Upstream segment (oil and gas wells, surface and offshore facilities). At the time the obligation arises, it is provided for in full by recognizing the present value of future decommissioning and restoration expenses as a liability. An equivalent amount is capitalized as part of the

carrying value of related property, plant and equipment. The obligation is calculated on the basis of best estimates. The capitalized asset is depreciated using the unit-of-production method for upstream activities and on straight-line basis for downstream assets.

Liabilities for environmental costs are recognized when a clean-up is probable and the associated costs can be reliably estimated. Generally, the timing of recognition of these provisions coincides with the commitment to a formal plan of action. The amount recognized is the best estimate of the expenditure required. Estimates of future remediation costs are based on current contracts concluded with suppliers, reports prepared by Company engineers, as well as past experience. Where the liability will not be settled for a number of years, the amount recognized is the present value of the estimated future expenditure.

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

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

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

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

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

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

### **Pensions and similar obligations**

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

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

**Emission allowances** received free of cost from governmental authorities (EU Emissions Trading Scheme for greenhouse gas emissions allowances) reduce obligations for CO<sub>2</sub> emissions and are recognized based on net approach for Government Grant (i.e. zero value in accounting). Provisions are recognized only for shortfalls. Provisions for shortfalls are initially measured at the best estimation of expenditure required to settle the obligation. The related expenses are recognized as emission costs, included in production and operating expenses. If, subsequently to the recognition of a provision, emission rights are purchased then an asset is only recognized for the excess of the emission rights over the CO<sub>2</sub> emissions.

## n) Taxes on income and royalties

### Current tax

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

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

### Deferred tax

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

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

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

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

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

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

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

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

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

#### **Production taxes**

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

## **o) Revenue recognition**

#### **Revenues from contracts with customers**

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

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

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

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

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

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

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

Power and gas sales are often subject to fees or tariffs for facilitating the transfer of goods and services. When the Company does not control the services related to such fees and tariffs before they are transferred to the customer and when it is not involved in the rendering of the service nor does it control the pricing, the Company is only an agent in providing these services. As the revenues are recognized in the amount to which the Company has a right to invoice, OMV Petrom applies the practical expedient according to IFRS 15.121 in accordance with which the amount for unsatisfied remained performance obligations need not be disclosed.

#### **Revenues from other sources**

Revenues from other sources include mainly the revenues from commodity transactions that are within the scope of IFRS 9 Financial Instruments, realized and unrealized results from hedging of sales transactions, as well as rental and lease revenues.

As per IFRS 9 Financial Instruments, commodity contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements fall within the own use exemption.

OMV Petrom obtains revenues from gas sales forward contracts with physical delivery, which are considered to fall under own use exemption as mentioned above.

#### **Dividend and interest income**

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

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

### **p) Cash and cash equivalents**

Cash is considered to be cash on hand and in operating accounts in banks. Cash equivalents represent deposits and highly liquid short-term investments with original maturities of less than three months.

### **q) Joint arrangements**

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

Joint ventures are joint arrangements in which the parties that share control have rights to the net assets of the arrangement. Joint operations are joint arrangements in which the parties that share joint control have rights to the assets and obligations for the liabilities relating to the arrangement.

As of December 31, 2020 and 2019 the Company had joint arrangements classified as joint operations.

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

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

#### 4. FOREIGN CURRENCY TRANSACTIONS

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

<b>Currencies</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Euro (EUR)	4.8694	4.7793
US dollar (USD)	3.9660	4.2608

All differences resulting from foreign currency amounts settlements are recognized in income statement in the period they occurred. Unrealized foreign exchange gains and losses related to monetary items are recognized in the income statement for the year. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

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

## 5. INTANGIBLE ASSETS

	Concessions, licences and other intangible assets	Oil and gas assets with unproved reserves	Total
<b>COST</b>			
<b>Balance as at January 1, 2020</b>	<b>1,294.93</b>	<b>3,411.65</b>	<b>4,706.58</b>
Additions	0.52	96.91	<b>97.43</b>
Transfers (Note 6)	0.01	(5.97)	<b>(5.96)</b>
Disposals*	(1.27)	(58.74)	<b>(60.01)</b>
<b>Balance as at December 31, 2020</b>	<b>1,294.19</b>	<b>3,443.85</b>	<b>4,738.04</b>
<b>ACCUMULATED AMORTIZATION AND IMPAIRMENT</b>			
<b>Balance as at January 1, 2020</b>	<b>1,213.21</b>	<b>371.73</b>	<b>1,584.94</b>
Amortization	6.58	-	<b>6.58</b>
Impairment	-	628.95	<b>628.95</b>
Transfers (Note 6)	-	(1.52)	<b>(1.52)</b>
Disposals	(1.22)	(58.52)	<b>(59.74)</b>
Write ups	(41.46)	(0.64)	<b>(42.10)</b>
<b>Balance as at December 31, 2020</b>	<b>1,177.11</b>	<b>940.00</b>	<b>2,117.11</b>
<b>CARRYING AMOUNT</b>			
<b>As at January 1, 2020</b>	<b>81.72</b>	<b>3,039.92</b>	<b>3,121.64</b>
<b>As at December 31, 2020</b>	<b>117.08</b>	<b>2,503.85</b>	<b>2,620.93</b>

\*) Includes the amount of RON 0.19 million representing decrease from reassessment of decommissioning asset for exploration wells (under category "Oil and gas assets with unproved reserves").

Oil and gas assets with unproved reserves include mainly expenditure capitalized in relation to Neptun project. OMV Petrom remains keen to see the Neptun Deep strategic project being developed. Based on management assessment it was concluded that there were no impairment triggers as at December 31, 2020 and 2019.

## 6. PROPERTY, PLANT AND EQUIPMENT

	Land, land rights and buildings, incl. buildings on third-party property	Oil and gas assets	Plant and machinery	Other fixtures and fittings, tools and equipment	Assets under construction	Total
<b>COST</b>						
<b>Balance as at January 1, 2020</b>	<b>2,542.70</b>	<b>39,552.04</b>	<b>10,406.30</b>	<b>702.23</b>	<b>426.14</b>	<b>53,629.41</b>
Additions*	16.39	2,569.07	310.85	46.00	312.19	<b>3,254.50</b>
Transfers**	10.98	(99.91)	282.88	4.61	(192.60)	<b>5.96</b>
Transfers to assets held for sale	–	(3.42)	(0.50)	(0.10)	–	<b>(4.02)</b>
Disposals	(15.59)	(409.80)	(58.35)	(28.31)	(0.01)	<b>(512.06)</b>
<b>Balance as at December 31, 2020</b>	<b>2,554.48</b>	<b>41,607.98</b>	<b>10,941.18</b>	<b>724.43</b>	<b>545.72</b>	<b>56,373.79</b>
<b>ACCUMULATED AMORTIZATION AND IMPAIRMENT</b>						
<b>Balance as at January 1, 2020</b>	<b>1,131.80</b>	<b>20,620.84</b>	<b>5,982.79</b>	<b>281.68</b>	<b>18.03</b>	<b>28,035.14</b>
Depreciation	104.65	1,901.50	680.99	108.97	–	<b>2,796.11</b>
Impairment	5.08	846.34	13.91	3.98	–	<b>869.31</b>
Transfers**	0.06	1.11	(1.57)	1.92	–	<b>1.52</b>
Transfers to assets held for sale	0.01	(0.76)	0.01	(0.03)	–	<b>(0.77)</b>
Disposals	(9.03)	(400.77)	(55.79)	(23.06)	–	<b>(488.65)</b>
Write-ups	(1.05)	(232.01)	(476.11)	(2.11)	–	<b>(711.28)</b>
<b>Balance as at December 31, 2020</b>	<b>1,231.52</b>	<b>22,736.25</b>	<b>6,144.23</b>	<b>371.35</b>	<b>18.03</b>	<b>30,501.38</b>
<b>CARRYING AMOUNT</b>						
<b>As at January 1, 2020</b>	<b>1,410.90</b>	<b>18,931.20</b>	<b>4,423.51</b>	<b>420.55</b>	<b>408.11</b>	<b>25,594.27</b>
<b>As at December 31, 2020</b>	<b>1,322.96</b>	<b>18,871.73</b>	<b>4,796.95</b>	<b>353.08</b>	<b>527.69</b>	<b>25,872.41</b>

\*) Includes the amount of RON 476.52 million representing increase from reassessment of the decommissioning asset.

\*\*) Net amount represents transfers from intangibles (Note 5).

Expenditure capitalized in the course of construction of tangible and intangible assets amounts to RON 527.05 million (2019: RON 537.12 million).

For details on impairments see Note 22.

### OMV Petrom as a lessee

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

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

**Right-of-use assets recognized under IFRS 16**

	Land and buildings	Plant and machinery	Other fixtures, fittings and equipment	Total
<b>Right-of-use assets as at January 1, 2020</b>	<b>50.63</b>	<b>104.07</b>	<b>333.94</b>	<b>488.64</b>
Additions	8.98	12.51	44.69	<b>66.18</b>
Depreciation	(6.41)	(23.13)	(91.31)	<b>(120.85)</b>
Other movements	(0.11)	(0.41)	(4.39)	<b>(4.91)</b>
<b>Right-of-use assets as at December 31, 2020</b>	<b>53.09</b>	<b>93.04</b>	<b>282.93</b>	<b>429.06</b>

**Amounts recognized in income statement**

	2020	2019
<b>Operating result</b>		
Short-term lease expenses	2.57	48.91
Low-value lease expenses	0.58	0.48
Variable lease expenses	3.71	3.51
Depreciation expense of right-of-use assets	120.85	87.02
<b>Net financial result</b>		
Interest expense on lease liabilities	6.28	6.49
Foreign exchange loss on lease liabilities	4.28	6.41

In addition, OMV Petrom incurred in 2020 short-term lease costs of RON 54.73 million (2019: RON 240.08 million), which were capitalized in the cost of other assets.

Variable lease payments expensed in 2020, in amount of RON 3.71 million (2019: RON 3.51 million), were related to contingent rent mainly for power generators equipment, determined based on quantities.

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

## 7. INVESTMENTS

As at December 31, 2020 the Company had investments in the following companies:

Company Name	Field of activity	Share interest percent	Cost	Impairment	Net book value
<b>Subsidiaries</b>					
OMV Petrom Marketing S.R.L.	Fuel distribution	100.00%	1,303.79	-	1,303.79
Petrom Moldova S.R.L.	Fuel distribution	100.00%	122.57	(96.81)	25.76
OMV Offshore Bulgaria GmbH	Exploration activities	100.00%	41.43	-	41.43
OMV Petrom Gas S.R.L.	Gas supply	99.99%	8.65	-	8.65
OMV Petrom Aviation S.R.L.	Airport services	99.99%	54.14	(17.15)	36.99
Petromed Solutions S.R.L.	Medical services	99.99%	3.00	-	3.00
OMV Srbija DOO	Fuel distribution	99.96%	181.92	-	181.92
OMV Bulgaria OOD	Fuel distribution	99.90%	138.02	-	138.02
Petrom Exploration & Production Limited	Exploration and production services	99.99%	0.91	-	0.91
<b>Associates</b>					
OMV Petrom Global Solutions S.R.L.	Financial, IT and other services	25.00%	7.00	-	7.00
Asociatia Romana pentru Relatia cu Investitorii	Public representation	20.00%	-	-	-
<b>Other investments</b>					
Telescaun Tihuta S.A.	Touristic facilities	1.68%	0.01	(0.01)	-
Credit Bank	Other financial services	0.22%	0.32	(0.32)	-
Forte Asigurari - Reasigurari S.A.	Insurance services	0.09%	0.02	(0.02)	-
<b>Total</b>			<b>1,861.78</b>	<b>(114.31)</b>	<b>1,747.47</b>

On August 31, 2020, OMV Petrom S.A. completed the acquisition of 100% shares in OMV Offshore Bulgaria GmbH, which holds an interest in Han Asparuh offshore block in Bulgaria, from OMV Exploration & Production GmbH.

As at December 31, 2020 the investments in Tasbulat Oil Corporation LLP in net amount of RON 115.44 million and Kom Munai LLP in net amount of RON 178.41 million are presented under assets held for sale (see note 11).

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

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

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

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

The details about addresses, equity and profit or loss of the companies in which OMV Petrom holds an interest of at least 20%, except those which do not have activity, are shown in the following table. Amounts are taken from the latest approved financial statements of the subsidiaries and the associate (for the year ended December 31, 2019).

Company Name	Address	Currency	Equity at December 31, 2019 (in million currency)	Profit or (loss) for the year ended December 31, 2019 (in million currency)
<b>Subsidiaries</b>				
OMV Petrom Marketing S.R.L.	22 Coralilor Street, District 1, Bucharest, Romania	RON	2,056.68	442.84
Petrom Moldova S.R.L.	8 Iesilor Street, Chisinau, Republica Moldova	MDL	154.30	36.10
Tasbulat Oil Corporation LLP	18 building, 4a microdistrict, Aktau, Kazakhstan	KZT	(1,553.41)	5,127.81
OMV Petrom Gas S.R.L.	22 Coralilor Street, District 1, Bucharest, Romania	RON	98.33	67.26
OMV Petrom Aviation S.R.L.	31A Aurel Vlaicu, Otopeni, Ilfov County, Romania	RON	37.26	0.87
Petromed Solutions S.R.L.	22 Coralilor Street, District 1, Bucharest, Romania	RON	4.99	1.50
OMV Bulgaria OOD	90 Tsarigradsko Shose Blvd., Sofia 1784, Bulgaria	BGN	148.36	27.13
OMV Srbija DOO	Omladinskih brigada 90a, Belgrade, Serbia	RSD	8,361.54	919.95
Kom Munai LLP	18 building, 4a microregion, Aktau, Kazakhstan	KZT	15,357.90	4,611.84
<b>Associates</b>				
OMV Petrom Global Solutions S.R.L.	22 Coralilor Street, District 1, Bucharest, Romania	RON	103.34	27.26

The movements in impairment for investments were as follows:

	2020
<b>January 1</b>	<b>1,949.09</b>
Net allocations/(releases)	(103.62)
Transfers to assets held for sale	(1,731.16)
<b>December 31</b>	<b>114.31</b>

Transfers to assets held for sale are in relation to Tasbulat Oil Corporation LLP and Kom Munai LLP.

## 8. TRADE RECEIVABLES AND OTHER FINANCIAL ASSETS

### a) Trade receivables

Trade receivables amount to RON 1,309.30 million as at December 31, 2020 (2019: RON 1,857.34 million).

#### Credit quality of trade receivables

December 31, 2020	Expected credit loss rate	Gross carrying amount	Expected credit loss	Net carrying amount
Risk class 1	0.07%	23.16	-	23.16
Risk class 2	0.25%	900.29	0.02	900.27
Risk class 3	1.19%	340.69	1.46	339.23
Risk class 4	10.26%	46.67	0.63	46.04
Risk class 5	100.00%	67.39	66.79	0.60
<b>Total</b>		<b>1,378.20</b>	<b>68.90</b>	<b>1,309.30</b>

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

The movements in impairment of trade receivables are as follows:

	2020	2019
<b>January 1</b>	<b>68.44</b>	<b>90.43</b>
Amounts written off	(0.06)	-
Net remeasurement of expected credit losses	0.52	(21.99)
<b>December 1</b>	<b>68.90</b>	<b>68.44</b>

## b) Other financial assets (net of impairment)

	Liquidity term		
	December 31, 2020	less than 1 year	over 1 year
Expenditure recoverable from Romanian State	2,402.19	359.05	2,043.14
Loans to subsidiaries (Note 28)	333.61	0.19	333.42
Derivative financial assets (Note 30)	647.52	646.13	1.39
Other financial assets	249.68	202.26	47.42
<b>Total</b>	<b>3,633.00</b>	<b>1,207.63</b>	<b>2,425.37</b>

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

**Expenditure recoverable from Romanian State**

As part of the privatization agreement, OMV Petrom S.A. is entitled to reimbursement by the Romanian State of part of decommissioning and environmental costs incurred to restore and clean up areas pertaining to activities prior to privatization in 2004. Consequently, OMV Petrom S.A. has recorded as receivable from the Romanian State the estimated decommissioning obligations having a net present value of RON 2,152.42 million as at December 31, 2020 (2019: RON 1,793.22 million) and the environmental liabilities with net present value of RON 249.77 million (2019: RON 169.61 million), as these were existing prior to privatization of OMV Petrom S.A.

On 7 March 2017, OMV AG, as party in the privatization agreement, initiated arbitration proceedings against the Romanian Ministry of Environment, in accordance with the International Chamber of Commerce Rules ("ICC"), regarding certain claims unpaid by the Ministry of Environment for costs incurred by OMV Petrom with well decommissioning and environmental remediation works, amounting to RON 287.66 million. On July 9, 2020, the Arbitral Tribunal issued the Final Award on the arbitration and requested the Ministry of Environment to reimburse to OMV Petrom S.A. the amount of RON 287.62 million and related interest (see Note 23). As of December 31, 2020, the procedure for recognition and enforcement in Romania of the Award is ongoing.

On 2 October 2020, OMV AG, as party in the privatization agreement, initiated arbitration proceedings against the Romanian Ministry of Environment, in accordance with ICC rules regarding certain claims unpaid by the Ministry of Environment in relation to well decommissioning and environmental remediation works amounting to RON 155.73 million. As of December 31, 2020, the arbitration procedure is ongoing.

**Other financial assets**

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

As of December 31, 2020 the present value of the financial asset representing government grant to be received for Brazi power plant investment was in amount of RON 39.15 million (2019: RON 172.47 million). During 2020 an amount of RON 140.19 million from third tranche was collected, whilst during 2019 the first two tranches in amount of RON 226.59 million were collected (see Note 29 d).

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

December 31, 2020	Expected credit loss rate	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Risk class 1	0.07%	-	-	-	-
Risk class 2	0.25%	2,521.75	-	45.68	2,567.43
Risk class 3	1.19%	133.03	-	-	133.03
Risk class 4	10.26%	2.39	-	-	2.39
Risk class 5	100.00%	0.25	-	494.69	494.94
<b>Total</b>		<b>2,657.42</b>	<b>-</b>	<b>540.37</b>	<b>3,197.79</b>

For risk class 2, “12-month ECL” included an amount of RON 2,405.64 million and “Lifetime ECL credit impaired” included an amount of RON 45.68 million, related to expenditure recoverable from Romanian State.

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

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

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

December 31, 2020	Expected credit loss rate	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Risk class 1	0.07%	-	-	-	-
Risk class 2	0.25%	4.83	-	45.68	50.51
Risk class 3	1.19%	0.50	-	-	0.50
Risk class 4	10.26%	0.11	-	-	0.11
Risk class 5	100.00%	0.11	-	494.69	494.80
<b>Total</b>		<b>5.55</b>	<b>-</b>	<b>540.37</b>	<b>545.92</b>

For risk class 2, “12-month ECL” included an amount of RON 3.45 million and “Lifetime ECL credit impaired” included an amount of RON 45.68 million, related to expenditure recoverable from Romanian State.

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

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

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

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

	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
<b>January 1, 2020</b>	<b>4.77</b>	<b>-</b>	<b>565.60</b>	<b>570.37</b>
Amounts written off	-	-	(12.99)	(12.99)
Net remeasurement of expected credit losses	0.78	-	(12.24)	(11.46)
<b>December 31, 2020</b>	<b>5.55</b>	<b>-</b>	<b>540.37</b>	<b>545.92</b>

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

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

## 9. OTHER ASSETS

The carrying value of other assets was as follows:

	December 31, 2020	Liquidity term	
		less than 1 year	over 1 year
Receivable from taxes	232.20	55.80	176.40
Advance payments on fixed assets	48.59	48.59	-
Prepaid expenses and deferred charges	48.96	10.03	38.93
Rental and lease prepayments	18.13	11.66	6.47
Other non-financial assets	57.50	57.50	-
<b>Total</b>	<b>405.38</b>	<b>183.58</b>	<b>221.80</b>

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

The decrease in "Other non-financial assets" is mainly related to lower stock of emission certificates, following sale and consumption in 2020.

## 10. INVENTORIES

	December 31, 2020	December 31, 2019
Crude oil	474.30	477.01
Natural gas	104.24	180.81
Other materials	272.49	254.56
Work in progress	95.44	154.05
Finished products	705.62	885.96
<b>Total</b>	<b>1,652.09</b>	<b>1,952.39</b>

The cost of materials and goods consumed during 2020 (whether used in production or re-sold) is RON 6,463.12 million (2019: RON 8,149.82 million).

As at December 31, 2020 and 2019 there were no inventories pledged as security for liabilities.

## 11. ASSETS HELD FOR SALE

	December 31, 2020	December 31, 2019
Land and buildings	1.39	1.53
Plant and equipment	226.84	215.67
Investments (see Note 7)	293.85	-
Other financial assets (see Note 28)	197.16	-
<b>Assets held for sale</b>	<b>719.24</b>	<b>217.20</b>
Provisions for decommissioning and restoration	273.46	222.55
Liabilities	0.25	1.20
<b>Liabilities associated with assets held for sale</b>	<b>273.71</b>	<b>223.75</b>

As at December 31, 2020, assets and liabilities held for sale referred to Upstream segment and are related to:

- ▶ the expected sale of the 100% shareholding in Kom-Munai LLP and Tasbulat Oil Corporation LLP in Kazakhstan to Magnetic Oil Limited, including assignment of loans granted to these subsidiaries. The expected transaction triggered reversal of previously booked impairments for investments and loans in amount of RON 137.38 million, presented under “Net income from consolidated subsidiaries and investments in associates” and under “Other financial income and expenses” in the income statement.
- ▶ 40 marginal onshore oil and gas fields, for which OMV Petrom S.A. reached an agreement with Dacian Petroleum S.R.L. in January 2020, which led to their reclassification of related assets and liabilities to “held for sale”. As of December 31, 2020, management expects that this transaction will be closed within the following twelve months.

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

## 12. EQUITY

### Share capital

The share capital of OMV Petrom S.A. consists of 56,644,108,335 fully paid shares as at December 31, 2020 and 2019 with a total nominal value of RON 5,664.41 million.

### Revenue reserves

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

Geological quota is amounting to RON 5,062.84 million as at December 31, 2020 and 2019. Until December 31, 2006, OMV Petrom S.A. benefited from geological quota facility whereby it could charge up to 35% of the market value of the volume of oil and gas extracted during the year. This facility was recognized directly in reserves. This quota was restricted to investment purposes, it is not distributable and it was non-taxable.

Legal reserves are amounting to RON 1,132.88 million as at December 31, 2020 and 2019. OMV Petrom S.A. sets its legal reserve in accordance with the provisions of the Romanian Companies Law, which requires that minimum 5% of the annual accounting profit before tax is transferred to "legal reserve" until the balance of this reserve reaches 20% of the share capital of the Company.

Other reserves from fiscal facilities are amounting to RON 500.47 million (2019: RON 454.06 million). The amount of RON 46.41 million was allocated to other reserves, representing fiscal facilities from reinvested profit in the year 2020 (2019: RON 31.14 million).

At the Annual General Meeting of Shareholders held on April 27, 2020, the shareholders of OMV Petrom S.A. approved the distribution of gross dividends in amount of RON 0.031 per share for the financial year 2019.

On March 17, 2021, the Supervisory Board endorsed the management's proposal to distribute gross dividends of RON 0.031 per share for the financial year 2020. The dividend proposal is subject to further approval by the Ordinary General Meeting of Shareholders, on April 27, 2021.

### Cash flow hedge reserve

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

Certain financial instruments were accounted as cash flow hedges, with the effective part of the change in value of the derivative being accounted for in other comprehensive income. The cumulative unrealized gain recognized in other comprehensive income, net of tax, is in amount of RON 74.36 million as at December 31, 2020 (2019: RON 27.70 million). The hedged item (underlying transaction) can affect either profit or loss or balance sheet; when this happens, the amounts previously accounted for in other comprehensive income are recycled to income statement or transferred to the carrying amount of the hedged item, respectively. For more details on hedges please refer to Note 33.

### Other reserves

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

## 13. PROVISIONS

	Pensions and similar obligations	Decommissioning and restoration	Other provisions	Total
<b>January 1, 2020</b>	<b>232.32</b>	<b>6,702.45</b>	<b>830.95</b>	<b>7,765.72</b>
thereof short-term	-	312.07	248.88	<b>560.95</b>
thereof long-term	232.32	6,390.38	582.07	<b>7,204.77</b>
Used	(18.72)	(201.07)	(94.84)	<b>(314.63)</b>
Net allocations/(releases)	(8.20)	1,009.75	137.73	<b>1,139.28</b>
<b>December 31, 2020</b>	<b>205.40</b>	<b>7,511.13</b>	<b>873.84</b>	<b>8,590.37</b>
thereof short-term	-	266.47	239.05	<b>505.52</b>
thereof long-term	205.40	7,244.66	634.79	<b>8,084.85</b>

**Provisions for pensions and similar obligations**

Employees of the Company are entitled to receive retirement benefits on reaching normal retirement age. The entitlements depend on years of service and final compensation levels. Retirement benefits obligation as of December 31, 2020 amounts to RON 134.63 million (2019: RON 150.40 million). In addition, employees receive other benefits consisting in death and coffin benefits. Other benefits obligation as of December 31, 2020 amounts to RON 70.77 million (2019: RON 81.92 million).

Provisions have been set up based on actuarial calculations performed by qualified actuaries using the following parameters: a discount rate of 3.35% (2019: 4.41%) and an estimated average yearly salary increase of 3.10% (2019: 4.19%).

**Present value of the pensions and similar obligations**

	2020	2019
<b>Present value of obligations as of January 1</b>	<b>232.32</b>	<b>203.38</b>
Current service cost	8.18	7.26
Past service cost	(43.73)	1.93
Interest cost	10.38	9.72
Benefits paid	(18.72)	(11.20)
Remeasurements for the year	16.96	20.30
Transfers	-	0.94
<b>Present value of obligations as of December 31</b>	<b>205.40</b>	<b>232.32</b>

In 2020 past service cost is related mainly to outsourcing of activities for general surface services.

**Sensitivities changes in absolute terms**

	Discount rate		Salary increase rate	
	0.50%	-0.50%	0.25%	-0.25%
<b>Pensions and other similar obligations increase/ (decrease)</b>	<b>(10.38)</b>	<b>11.27</b>	<b>3.77</b>	<b>(3.64)</b>

**Maturity profile**

	Maturity profile			Duration
	1-5 years	6-10 years	>10 years	in years
<b>Retirement benefits</b>	<b>31.39</b>	<b>34.54</b>	<b>68.70</b>	<b>11.34</b>

**Provisions for decommissioning and restoration obligations**

Changes in provisions for decommissioning and restoration are shown in the table below. In the event of changes in estimated restoration costs the effect of the change in present value is recognized in the period concerned. If the value increases, the increase is depreciated over the remaining useful life of the asset, and if it decreases, the decrease is deducted from capitalized asset value or recognized in the income statement if it exceeds the carrying amount of the related asset. The net discount rates applied for calculating the decommissioning and restoration costs at December 31, 2020 were 0.50% for onshore and 3.10% for offshore (2019: 1.65% for onshore and offshore). A decrease of 1 percentage point in the real interest rates used to calculate the decommissioning and restoration provisions would lead to an additional provision of RON 930 million.

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

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

Details on the decommissioning and restoration obligations are as follows:

	2020	2019
<b>January 1</b>	<b>6,702.45</b>	<b>6,113.40</b>
Revisions in estimates	723.05	719.83
Unwinding effect	286.70	289.92
Used in current year	(201.07)	(197.34)
Transfer to liabilities associated with assets held for sale	-	(223.36)
<b>December 31</b>	<b>7,511.13</b>	<b>6,702.45</b>

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

Impact from revision in estimates in 2020 was generated by lower net discounting rates and higher estimated average unit costs for onshore assets.

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

**Other provisions**

<b>December 31, 2020</b>	<b>Total</b>	<b>less than 1 year</b>	<b>over 1 year</b>
Environmental provision	410.22	55.18	355.04
Other personnel provisions	109.72	108.21	1.51
Provisions for litigations	73.51	5.13	68.38
Other	280.39	70.53	209.86
<b>Total</b>	<b>873.84</b>	<b>239.05</b>	<b>634.79</b>

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

**Environmental provisions**

The environmental provisions were estimated by the management based on the list of environment related projects that must be completed by the Company. Provisions recorded as at December 31, 2020 and 2019 represent the best estimate of the Company's experts for environmental matters. Environmental provisions are mainly computed using a discount rate of 3.10% (2019: 4.41%).

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

**Provisions for litigations**

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

**Emissions certificates**

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

Under this scheme, OMV Petrom S.A. is entitled to an allocation of 643,767 emission certificates for the year 2020 (2019: 1,018,845 emission certificates). During 2020 the Company received 973,979 emission certificates, out of which 330,212 emission certificates representing the 2019 entitlement according to article 10c) of the Directive and 643,767 emission certificates from 2020 entitlement according to article 10a) of the Directive.

During 2020 the Company had net sales of 329,915 emissions certificates (2019: other net purchases of 1,153,324 emissions certificates).

A shortfall in emission certificates is provided for. As of December 31, 2020, the Company was not short of certificates.

## 14. INTEREST-BEARING DEBTS

As at December 31, 2020 and December 31, 2019 OMV Petrom S.A. had the following loans:

Lender	December 31, 2020	December 31, 2019
<b>Interest bearing debts short-term</b>		
European Investment Bank (a)	92.75	91.03
Cash pooling (b)	1,413.14	1,414.33
Accrued interest and other	3.33	4.75
Prepayments in relation with loan amounts drawn	(0.07)	(0.07)
<b>Total interest bearing debts short-term</b>	<b>1,509.15</b>	<b>1,510.04</b>
<b>Interest-bearing debts long-term</b>		
European Investment Bank (a)	108.98	198.00
Prepayments in relation with loan amounts drawn	(0.04)	(0.12)
<b>Total interest-bearing debts long-term</b>	<b>108.94</b>	<b>197.88</b>
thereof maturing after more than 1 year but not later than 5 years	108.94	197.88
<b>Total interest-bearing debts</b>	<b>1,618.09</b>	<b>1,707.92</b>

(a) For the construction of the Brazi Power Plant, OMV Petrom S.A. concluded an unsecured loan agreement for an amount of EUR 200.00 million with European Investment Bank. The agreement was signed on May 8, 2009 and the final maturity date is June 15, 2023. The outstanding amount as at December 31, 2020 was RON 201.73 million (equivalent of EUR 41.43 million) (2019: RON 289.03 million, equivalent of EUR 60.48 million).

(b) Cash pooling agreements with maturity on April 18, 2021, renewable each year, are signed between OMV Petrom S.A. and the following companies:

(i) OMV Petrom Marketing S.R.L. for an aggregated amount of RON 2,000.00 million. The amount drawn as at December 31, 2020 amounts to RON 1,286.09 million (2019: RON 1,271.81 million).

(ii) OMV Petrom Global Solutions S.R.L. for an aggregated amount of RON 100.00 million. The amount drawn as at December 31, 2020 amounts to RON 81.22 million (2019: RON 39.67 million).

(iii) OMV Petrom Gas S.R.L. for an aggregated amount of RON 150.00 million. The amount drawn as at December 31, 2020 amounts to RON 33.34 million (2019: RON 83.81 million).

(iv) Petromed Solutions S.R.L. for an aggregated amount of RON 15.00 million. The amount drawn as at December 31, 2020 amounts to RON 8.12 million (2019: RON 7.80 million).

(v) OMV Petrom Aviation S.R.L. for an aggregated amount of RON 25.00 million. The amount drawn as at December 31, 2020 amounts to RON 4.37 million (2019: RON 11.24 million).

The Company has several credit facilities in place as at December 31, 2020 as follows:

(c) An unsecured credit facility granted by Raiffeisen Bank S.A. up to EUR 50.00 million (equivalent of RON 243.47 million) consisting in two subfacilities: subfacility A with maturity date prolonged to December 31, 2021 (for an amount of EUR 30.00 million, equivalent of RON 146.08 million) and subfacility B with maturity date prolonged to December 31, 2024 (for an amount of EUR 20.00 million, equivalent of RON 97.39 million). Subfacility A can be used only in RON and only by OMV

Petrom S.A. as overdraft credit line. Subfacility B can be used in EUR, USD, RON and GBP by OMV Petrom S.A., OMV Petrom Marketing S.R.L. and OMV Petrom Gas S.R.L. (up to the limit of EUR 20.00 million, equivalent of RON 97.39 million); and by OMV Petrom Aviation S.R.L. (only up to the maximum limit of EUR 10.00 million, equivalent of RON 48.69 million) only for the issuance of letters of credit and/or issuance of letters of bank guarantee. As at December 31, 2020 no withdrawals under the overdraft were made (2019: an amount of RON 0.01 million was used from the cash portion of the credit facility, being included in "Accrued interest and other" line).

(d) An unsecured facility contracted by OMV Petrom S.A. from ING Bank N.V., that can be used in USD, RON or EUR, up to the maximum amount of EUR 50.00 million (equivalent of RON 243.47 million), for issuance of letters of bank guarantee and as overdraft for working capital financing. The maturity of the credit facility is November 22, 2022. No drawings under the overdraft were made as at December 31, 2020 and 2019.

(e) An uncommitted and unsecured credit facility contracted by OMV Petrom S.A. from BRD – Groupe Société Générale S.A. with maximum limit of EUR 90.00 million (equivalent of RON 438.25 million) that can be used in RON, with maturity date prolonged until April 30, 2021. The facility is designated to finance OMV Petrom's current activity and for issuance of bank guarantee, opening letters of credit and similar. The cash portion of the credit facility was not used as at December 31, 2020 and 2019.

(f) A committed and unsecured credit facility contracted by OMV Petrom S.A. from Banca Comercială Română S.A., that can be used in USD, EUR or RON, up to a maximum amount of EUR 200.00 million (equivalent of RON 973.88 million), for issuance of letters of bank guarantee and similar and as overdraft for working capital financing. As at December 31, 2020, the maturity for letters of bank guarantees and similar is January 13, 2024 and for overdraft the maturity is January 11, 2022, with the possibility to further extend the maturity for additional successive periods, final maturity being January 13, 2024. The cash portion of the credit facility was not used as at December 31, 2020 and 2019.

(g) An unsecured credit facility agreement was signed by OMV Petrom S.A. with Garanti Bank S.A. for up to EUR 15.00 million (equivalent of RON 73.04 million) to be utilized for issuance of letters of bank guarantee and similar and as overdraft for working capital financing. The maturity of the credit facility is January 15, 2022 for overdraft purposes and March 15, 2023 for issuance of bank guarantees. The cash portion of the credit facility was not used as at December 31, 2020 and 2019.

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

(h) An unsecured facility agreement was signed by OMV Petrom S.A. with BNP Paribas Fortis S.A./N.V.– Bucharest branch – for up to EUR 30.00 million (equivalent of RON 146.08 million), to be utilized only for issuance of letters of bank guarantee and letters of credit, with maturity date prolonged to March 27, 2021. Maturity is subject to possibility of further automatic extensions for successive periods of 12 months, but not longer than March 27, 2022.

(i) An unsecured credit facility received by OMV Petrom S.A. from Banca Transilvania S.A. (former Bancpost S.A.), up to EUR 25.00 million (equivalent of RON 121.74 million), to be utilized only for issuance of letters of bank guarantee, with maturity until March 31, 2022.

As at December 31, 2020 and 2019, OMV Petrom S.A. is in compliance with all financial covenants stipulated by the loan agreements.

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

## 15. OTHER FINANCIAL LIABILITIES

	December 31, 2020	less than 1 year	over 1 year
Derivative financial liabilities (Note 30)	472.64	472.64	-
Other financial liabilities	279.41	275.20	4.21
<b>Total</b>	<b>752.05</b>	<b>747.84</b>	<b>4.21</b>

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

### Maturity profile of financial liabilities

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

	< 1 year	1-5 years	> 5 years	Total
<b>December 31, 2020</b>				
Interest-bearing debts	1,510.99	110.38	-	<b>1,621.37</b>
Lease liabilities	126.47	285.76	83.54	<b>495.77</b>
Trade payables	2,323.59	-	-	<b>2,323.59</b>
Derivative financial liabilities	472.64	-	-	<b>472.64</b>
Other financial liabilities	275.20	4.21	-	<b>279.41</b>
<b>Total</b>	<b>4,708.89</b>	<b>400.35</b>	<b>83.54</b>	<b>5,192.78</b>

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

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

## 16. OTHER LIABILITIES

	December 31, 2020	less than 1 year	over 1 year
Tax liabilities	395.93	395.93	-
Social security	47.03	47.03	-
Contract liabilities	54.64	54.64	-
Deferred income	91.12	77.03	14.09
Other liabilities	70.93	70.93	-
<b>Total</b>	<b>659.65</b>	<b>645.56</b>	<b>14.09</b>

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

### Contract liabilities

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

The changes in contract liabilities were as follows:

	2020	2019
<b>January 1</b>	<b>54.40</b>	35.14
Revenue recognized that was included in the contract liability balance at the beginning of the year	(28.55)	(33.70)
Increases due to cash received, excluding amounts recognized as revenue during the year	28.79	52.96
<b>December 31</b>	<b>54.64</b>	54.40

## 17. DEFERRED TAX

December 31, 2020	Deferred tax assets total	Deferred tax assets not recognized	Deferred tax assets recognized	Deferred tax liabilities
Tangible and intangible assets	265.86	-	265.86	-
Inventories	14.92	-	14.92	-
Receivables and other assets	136.58	(38.02)	98.56	40.91
Provisions for pensions and similar obligations	34.88	-	34.88	2.02
Other provisions	1,060.89	-	1,060.89	-
Liabilities	32.57	-	32.57	-
<b>Total</b>	<b>1,545.70</b>	<b>(38.02)</b>	<b>1,507.68</b>	<b>42.93</b>
Netting (same tax jurisdiction/country)			(42.93)	(42.93)
<b>Deferred tax, net</b>			<b>1,464.75</b>	<b>-</b>

December 31, 2019	Deferred tax assets total	Deferred tax assets not recognized	Deferred tax assets recognized	Deferred tax liabilities
Tangible and intangible assets	312.17	-	312.17	-
Inventories	13.39	-	13.39	-
Receivables and other assets	147.55	(38.32)	109.23	36.42
Provisions for pensions and similar obligations	41.15	-	41.15	3.98
Other provisions	939.20	-	939.20	-
Liabilities	37.07	-	37.07	-
<b>Total</b>	<b>1,490.53</b>	<b>(38.32)</b>	<b>1,452.21</b>	<b>40.40</b>
Netting (same tax jurisdiction/country)			(40.40)	(40.40)
<b>Deferred tax, net</b>			<b>1,411.81</b>	<b>-</b>

## 18. SALES REVENUES

	2020	2019
Revenues from contracts with customers	13,865.83	18,810.42
Revenues from other sources	1,571.41	1,133.29
<b>Total sales revenues</b>	<b>15,437.24</b>	<b>19,943.71</b>

### Revenues from contracts with customers

In the following tables, revenues recorded in 2020 and 2019 are disaggregated by products and reportable segments.

2020	Upstream	Downstream	thereof Downstream Oil	thereof Downstream Gas	Corporate & Other	Total
Crude Oil, NGL, condensates	-	47.63	47.63	-	-	47.63
Natural gas, LNG and power	5.09	4,694.66	2.14	4,692.52	-	4,699.75
Fuels and heating oil	-	7,896.37	7,896.37	-	-	7,896.37
Other goods and services*	43.87	1,164.08	1,099.45	64.63	14.13	1,222.08
<b>Total</b>	<b>48.96</b>	<b>13,802.74</b>	<b>9,045.59</b>	<b>4,757.15</b>	<b>14.13</b>	<b>13,865.83</b>

2019	Upstream	Downstream	thereof Downstream Oil	thereof Downstream Gas	Corporate & Other	Total
Crude Oil, NGL, condensates	-	60.81	60.81	-	-	60.81
Natural gas, LNG and power	5.53	5,117.12	2.20	5,114.92	-	5,122.65
Fuels and heating oil	-	11,816.63	11,816.63	-	-	11,816.63
Other goods and services*	57.90	1,738.69	1,630.57	108.12	13.74	1,810.33
<b>Total</b>	<b>63.43</b>	<b>18,733.25</b>	<b>13,510.21</b>	<b>5,223.04</b>	<b>13.74</b>	<b>18,810.42</b>

\*) Mainly non-fuel business in Downstream Oil.

### Revenues from other sources

Revenues from other sources mainly include revenues from commodity transactions that are within the scope of IFRS 9 Financial Instruments, realized and unrealized results from hedging of sales transactions, as well as rental and lease revenues.

OMV Petrom acts as a lessor for lease arrangements assessed as operating leases mainly for land and buildings and equipment. Rental and lease revenues in 2020 amount to RON 32.52 million (2019: RON 34.99 million).

## 19. OTHER OPERATING INCOME

	2020	2019
Exchange gains from operating activities	38.03	23.53
Gains on disposal of non-current assets	51.03	71.52
Other operating income	318.10	126.16
<b>Total</b>	<b>407.16</b>	<b>221.21</b>

Other operating income in 2020 includes revenues from sale of CO2 certificates in amount of RON 180.99 million and gains of RON 71.50 million from the fair value measurement of CO2 certificates held for trading in Downstream. During 2019 this line included income related to clarification of a tax related topic, in amount of RON 66.96 million.

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

## 20. NET INCOME FROM CONSOLIDATED SUBSIDIARIES AND INVESTMENTS IN ASSOCIATES

	2020	2019
Dividends from subsidiaries and associates	562.20	558.99
Net release of impairment related to investments in subsidiaries	102.91	57.22
<b>Total</b>	<b>665.11</b>	<b>616.21</b>

## 21. OTHER OPERATING EXPENSES

	2020	2019
Exchange losses from operating activities	19.78	23.69
Losses on disposal of non-current assets	7.56	4.35
Other operating expenses	309.45	204.03
<b>Total</b>	<b>336.79</b>	<b>232.07</b>

Other operating expenses include an amount of RON 108.64 million (2019: RON 51.79 million) representing restructuring expenses mainly in relation with outsourcing of activities for general surface services and an amount of RON 8.50 million (2019: RON 9.41 million) representing costs with digitalization initiatives.

## 22. COST INFORMATION

For the years ended December 31, 2020 and December 31, 2019 the income statement includes the following personnel expenses:

	2020	2019
Wages and salaries	1,456.15	1,462.81
Other personnel expenses	247.13	222.17
<b>Total personnel expenses</b>	<b>1,703.28</b>	<b>1,684.98</b>

The above personnel expenses included an amount of RON 18.20 million, representing Company's contribution to state pension plan for the year ended December 31, 2020 (2019: RON 18.33 million).

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

	2020	2019
Depreciation and amortization	2,797.91	2,723.64
Impairment intangible assets and property, plant and equipment	1,521.35	679.88
Write-ups intangible assets and property, plant and equipment	(753.38)	(5.18)
<b>Total depreciation, amortization and net impairment</b>	<b>3,565.88</b>	<b>3,398.34</b>

Net impairment losses booked during the year ended December 31, 2020 for intangible assets and property, plant and equipment (including those classified as held for sale) were related mostly to Upstream segment in amount of RON 1,286.41 million, reflecting mainly impairment at CGU level and write-offs of exploration intangibles as described in Note 2, unsuccessful workovers and obsolete or replaced assets. These were partially offset by a write-up in amount of RON 518.65 million related to Brazi power plant in Downstream Gas segment (see Note 2). Net impairments in Downstream Oil segment were in amount of RON 0.15 million and in Corporate & Other segment in amount of RON 0.05 million.

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

In the income statement for the year ended December 31, 2020 net impairments are included under depreciation, amortization, impairments and write-ups in amount of RON 86.17 million (2019: RON 547.29 million) and under exploration expenses in amount of RON 681.79 million (2019: RON 127.42 million).

## 23. INTEREST INCOME AND INTEREST EXPENSES

	2020	2019
<b>Interest income</b>		
Interest income related to subsidiaries	13.42	19.34
Interest income from receivables and other	104.53	78.24
Interest income from short term bank deposits	145.15	133.85
Unwinding income for other financial assets and positive effect of changes in discount rate and timing for Romanian State receivable	72.19	92.68
<b>Total interest income</b>	<b>335.29</b>	<b>324.11</b>
<b>Interest expenses</b>		
Interest expenses	(50.66)	(61.10)
Unwinding expenses for retirement benefits provision	(10.25)	(9.66)
Unwinding expenses for decommissioning provision, net of the unwinding income for related Romanian State receivable	(232.81)	(227.92)
Unwinding expenses and discounting for other items and negative effect of changes in discount rate and timing for Romanian State receivable	(26.08)	(8.85)
<b>Total interest expenses</b>	<b>(319.80)</b>	<b>(307.53)</b>
<b>Net interest revenues/ (expenses)</b>	<b>15.49</b>	<b>16.58</b>

Interest income from receivables and other in 2020 is mainly related to clearance of the arbitration proceedings initiated by OMV Aktiengesellschaft at the International Chamber of Commerce Paris against the Romanian Ministry of Environment.

## 24. OTHER FINANCIAL INCOME AND EXPENSES

	2020	2019
Net foreign exchange gains/(losses) from financing activities	(26.49)	2.84
Net gains/(losses) from investments and financial assets	19.29	51.15
Other financial expenses	(3.21)	(2.91)
<b>Other financial income and expenses</b>	<b>(10.41)</b>	<b>51.08</b>

## 25. TAXES ON INCOME

	2020	2019
Current income taxes	(182.19)	(576.30)
Deferred income taxes	59.87	55.25
<b>Taxes on income – (expense)/revenue</b>	<b>(122.32)</b>	<b>(521.05)</b>

The reconciliation of net deferred tax is as follows:

	2020	2019
Deferred tax asset at January 1	1,411.81	1,357.16
Deferred tax asset at December 31	1,464.75	1,411.81
<b>Changes in deferred taxes</b>	<b>52.94</b>	<b>54.65</b>
thereof deferred taxes expenses in other comprehensive income	(6.93)	(0.60)
thereof deferred taxes (expense)/revenues in the income statement	59.87	55.25
<b>Reconciliation</b>		
<b>Profit before tax</b>	<b>1,503.90</b>	<b>4,084.64</b>
Income tax rate applicable	16%	16%
<b>Profit tax expense based on income tax rate</b>	<b>(240.62)</b>	<b>(653.54)</b>
Tax credit	36.54	61.74
Change in valuation allowance	0.30	1.77
Tax effect of items that are (non-deductible) / non-taxable	81.46	68.98
<b>Profits tax expense in the income statement</b>	<b>(122.32)</b>	<b>(521.05)</b>

Tax effect of items that are (non-deductible)/non-taxable in 2020 was generated mainly by non-taxable revenues related to dividends.

## 26. SEGMENT INFORMATION

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

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

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

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

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

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

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

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

## Operating segments:

December 31, 2020	Upstream	Downstream *	Downstream Oil	Downstream Gas	Downstream elimination	Corporate & Other	Total	Consolidation	Total
Intersegment sales	5,851.53	173.02	48.70	225.63	(101.31)	150.83	<b>6,175.38</b>	(6,175.38)	-
Sales with third parties	55.48	15,347.02	9,504.81	5,842.21	-	34.74	<b>15,437.24</b>	-	<b>15,437.24</b>
<b>Total sales</b>	<b>5,907.01</b>	<b>15,520.04</b>	<b>9,553.51</b>	<b>6,067.84</b>	<b>(101.31)</b>	<b>185.57</b>	<b>21,612.62</b>	<b>(6,175.38)</b>	<b>15,437.24</b>
<b>Operating result</b>	<b>(1,017.87)</b>	<b>2,412.37</b>	<b>1,101.28</b>	<b>1,311.09</b>	-	<b>(109.18)</b>	<b>1,285.32</b>	<b>213.50</b>	<b>1,498.82</b>
Total assets**	22,725.13	5,333.53	3,834.69	1,498.84	-	434.68	<b>28,493.34</b>	-	<b>28,493.34</b>
Additions in PPE/IA	2,713.93	615.17	606.54	8.63	-	22.83	<b>3,351.93</b>	-	<b>3,351.93</b>
Depreciation and amortization	2,097.84	654.20	542.49	111.71	-	45.87	<b>2,797.91</b>	-	<b>2,797.91</b>
Impairment losses/ (write-ups), net	1,286.41	(518.50)	0.15	(518.65)	-	0.05	<b>767.96</b>	-	<b>767.96</b>

\*) Sales Downstream = Sales Downstream Oil + Sales Downstream Gas – intersegmental elimination Downstream Oil and Downstream Gas

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

## Information about geographical areas:

December 31, 2020	Romania	Rest of Central Eastern Europe	Rest of Europe	Rest of world	Total
Sales with third parties*	15,239.25	192.97	-	5.02	<b>15,437.24</b>
Total assets**	28,493.34	-	-	-	<b>28,493.34</b>
Additions in PPE/IA	3,351.93	-	-	-	<b>3,351.93</b>

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

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

**Operating segments:**

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

\*) Sales Downstream = Sales Downstream Oil + Sales Downstream Gas – intersegmental elimination Downstream Oil and Downstream Gas

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

**Information about geographical areas:**

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

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

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

**27. AVERAGE NUMBER OF EMPLOYEES**

The number of employees calculated as the average of the month's end number of employees during the year is 10,949 for 2020 and 11,814 for 2019.

## 28. RELATED PARTIES

The terms of the outstanding balances receivable from/payable to related parties are typically 0 to 120 days. The balances are unsecured and will be settled mainly in cash.

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

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

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

During 2020, the Company had the following transactions with related parties (including balances as of December 31, 2020):

	Nature of transactions	Purchases	Balances payable
<b>OMV Petrom S.A. subsidiaries</b>			
OMV Petrom Marketing S.R.L.	Acquisition of petroleum products	28.81	25.84
OMV Petrom Aviation S.R.L.	Airport services	26.74	4.31
Petromed Solutions S.R.L.	Medical services	21.23	1.76
OMV Bulgaria OOD	Acquisition of petroleum products	0.33	-
Petrom Moldova S.R.L.	Acquisition of diesel	0.10	0.03
Kom Munai LLP	Various services	0.10	-
<b>Total OMV Petrom S.A. subsidiaries</b>		<b>77.31</b>	<b>31.94</b>
<b>Other related parties</b>			
OMV Supply & Trading Limited	Acquisition of crude oil and petroleum products	1,130.86	238.76
OMV Petrom Global Solutions SRL	Financial, IT and other services	468.61	113.21
OMV Gas Marketing & Trading GmbH	Acquisition of natural gas and other	424.98	115.20
OMV Exploration & Production GmbH	Delegation of personnel and other	104.99	34.52
OMV Downstream GmbH (former OMV Refining & Marketing GmbH)	Acquisition of petroleum products and services	65.86	39.27
OMV Aktiengesellschaft	Delegation of personnel and other	31.51	38.71
OMV Gas & Power GmbH	Delegation of personnel and other	0.39	1.68
OMV Austria Exploration & Production GmbH	Acquisition of materials	0.12	-
OMV New Zealand Limited	Various services	0.06	0.06
OMV International Services GmbH	Various services	0.01	-
<b>Total other related parties</b>		<b>2,227.39</b>	<b>581.41</b>
<b>Total</b>		<b>2,304.70</b>	<b>613.35</b>

	Nature of transactions	Revenues	Balances receivable
<b>Total OMV Petrom S.A. subsidiaries</b>			
OMV Petrom Marketing S.R.L.	Sales of petroleum products	6,692.92	538.19
OMV Petrom Gas S.R.L.	Sales of gas	0.19	(0.07)
OMV Bulgaria OOD	Sales of petroleum products	479.04	32.64
Petrom Moldova S.R.L.	Sales of petroleum products	122.54	11.10
OMV Srbija DOO	Sales of petroleum products	55.27	11.16
Kom Munai LLP	Delegation of personnel and other	2.70	1.23
Tasbulat Oil Corporation LLP	Delegation of personnel and other	2.32	0.82
Petromed Solutions S.R.L.	Financial, IT and other services	2.11	0.18
OMV Petrom Aviation S.R.L.	Various services	0.96	0.10
OMV Offshore Bulgaria GmbH	Various services	0.31	0.31
<b>Total OMV Petrom S.A. subsidiaries</b>		<b>7,358.36</b>	<b>595.66</b>
<b>Other related parties</b>			
OMV Gas Marketing & Trading GmbH	Sales of natural gas and other	333.96	0.45
OMV Deutschland Marketing & Trading GmbH & Co. KG	Sales of propylene	119.32	31.78
OMV Deutschland GmbH	Sales of propylene	111.37	-
OMV Downstream GmbH (former OMV Refining & Marketing GmbH)	Sales of petroleum products, delegation of personnel and other	91.34	3.02
OMV Supply & Trading Limited	Sales of petroleum products	29.54	-
OMV Exploration & Production GmbH	Delegation of personnel and other	26.08	3.14
OMV Petrom Global Solutions SRL	Various services	23.18	2.09
OMV Aktiengesellschaft	Delegation of personnel and other	11.92	2.61
OMV Austria Exploration & Production GmbH	Sale of fixed assets	0.33	-
Borealis L.A.T Romania S.R.L.	Various services	0.07	0.02
<b>Total other related parties</b>		<b>747.11</b>	<b>43.11</b>
<b>Total</b>		<b>8,105.47</b>	<b>638.77</b>

In December 2019, OMV Petrom S.A. signed a contract to acquire OMV Offshore Bulgaria GmbH, the transaction being completed in August 2020 (see Note 31 for more details). This transaction was accounted for as asset acquisition, given that the acquired entity does not constitute a business as defined by IFRS 3 Business Combinations.

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

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

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

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.

During 2020, there were in place intercompany loans granted by the Company to the following subsidiaries:

- a) OMV Offshore Bulgaria GmbH: one intercompany loan with maximum limit of EUR 57.00 million (equivalent of RON 277.56 million) and maturity August 31, 2025. This loan was granted on August 31, 2020.
- b) OMV Bulgaria OOD: one intercompany loan with maximum limit of EUR 55.00 million (equivalent of RON 267.82 million) and maturity December 30, 2023.
- c) OMV Srbija DOO: one intercompany loan with maximum limit of EUR 20.00 million (equivalent of RON 97.39 million) and maturity December 30, 2023.
- d) Petrom Moldova S.R.L.: one intercompany loan with maximum limit of EUR 15.00 million (equivalent of RON 73.04 million) and maturity August 7, 2024.
- e) Kom Munai LLP: one intercompany loan with maximum limit of USD 262.00 million (equivalent of RON 1,039.09 million) and maturity September 30, 2022. As of December 31, 2020 the balance of this loan, in amount of RON 121.72 million, is presented under assets held for sale (see Note 11).

f) Tasbulat Oil Corporation: one intercompany loan with maximum limit of USD 50.00 million (equivalent of RON 198.30 million) and maturity September 30, 2022. As of December 31, 2020 the balance of this loan, in amount of RON 75.44 million, is presented under assets held for sale (see Note 11).

The balances receivable in respect to these loans, as at December 31, 2020 and December 31, 2019 are presented below:

	Gross balance at December 31, 2020	Impairment at December 31, 2020	Net balance at December 31, 2020	Net balance at December 31, 2019
OMV Offshore Bulgaria GmbH	146.02	-	146.02	-
OMV Bulgaria OOD	143.74	-	143.74	131.53
Petrom Moldova S.R.L.	43.85	-	43.85	47.82
Kom Munai LLP	-	-	-	165.00
Tasbulat Oil Corporation LLP	-	-	-	68.42
<b>Total</b>	<b>333.61</b>	<b>-</b>	<b>333.61</b>	<b>412.77</b>

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

	2020
<b>January 1</b>	<b>19.29</b>
Net allocations/(releases)	(19.29)
<b>December 31</b>	<b>-</b>

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

	Interest income 2020	Balances receivable at December 31, 2020	Interest income 2019	Balances receivable at December 31, 2019
<b>OMV Petrom S.A. subsidiaries</b>				
Kom Munai LLP	5.41	-	10.11	0.29
Tasbulat Oil Corporation LLP	3.15	-	4.76	0.15
OMV Bulgaria OOD	2.57	0.09	2.90	0.10
Petrom Moldova S.R.L.	0.89	0.02	0.61	0.03
OMV Offshore Bulgaria GmbH	0.77	0.08	-	-
OMV Srbija DOO	0.59	-	0.46	-
OMV Petrom Aviation SA	0.03	-	-	-
OMV Petrom Gas S.R.L.	-	-	0.50	-
<b>Total OMV Petrom S.A. subsidiaries</b>	<b>13.41</b>	<b>0.19</b>	<b>19.34</b>	<b>0.57</b>
<b>Other related parties</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>13.41</b>	<b>0.19</b>	<b>19.34</b>	<b>0.57</b>

	Interest expenses 2020	Balances payable at December 31, 2020	Interest expenses 2019	Balances payable at December 31, 2019
<b>OMV Petrom S.A. subsidiaries</b>				
OMV Petrom Marketing S.R.L.	28.56	2.12	36.02	2.90
OMV Petrom Gas S.R.L.	1.63	0.06	3.89	0.19
Petromed Solutions S.R.L.	0.20	0.01	0.22	0.02
OMV Petrom Aviation S.R.L.	0.05	0.01	0.49	0.03
<b>Total OMV Petrom S.A. subsidiaries</b>	<b>30.44</b>	<b>2.20</b>	<b>40.62</b>	<b>3.14</b>
<b>Other related parties</b>				
OMV Petrom Global Solutions S.R.L.	1.87	0.14	1.67	0.14
<b>Total other related parties</b>	<b>1.87</b>	<b>0.14</b>	<b>1.67</b>	<b>0.14</b>
<b>Total</b>	<b>32.31</b>	<b>2.34</b>	<b>42.29</b>	<b>3.28</b>

#### Ultimate parent

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

The consolidated financial statements of OMV Aktiengesellschaft are prepared in accordance with IFRS as adopted by the EU and in accordance with the supplementary accounting regulations pursuant to Sec. 245a, Para. 1 of the Austrian Company Code (UGB) and are available on OMV's website:

[http://www.omv.com/portal/01/com/omv/OMV\\_Group/investors-relations/reportsandpresentations](http://www.omv.com/portal/01/com/omv/OMV_Group/investors-relations/reportsandpresentations).

#### Key management remuneration

For 2020, the General Meeting of Shareholders of OMV Petrom S.A. approved an annual gross remuneration corresponding to a net remuneration for each member of the Supervisory Board amounting to EUR 20,000 per year (2019: 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 (2019: 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 (2019: EUR 2,000 per meeting).

As at December 31, 2020 and 2019, there were no loans or advances granted by any of the Group companies to the members of the Supervisory Board. As at December 31, 2020 and 2019, the Group companies did not have any obligations regarding pension payments to former members of the Supervisory Board.

The aggregate amount of remuneration and other benefits, including benefits in-kind, paid in 2020 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 69.40 million (2019: RON 81.51 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, HSSE and sustainability metrics) in line with company strategy, to align the interests of management and shareholders, including both short and long term plans:
  - ▶ performance bonus program of 1 year;
  - ▶ long term incentive as multi-year 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.

## 29. CASH FLOW STATEMENT INFORMATION

### a) Drawings and repayments of other borrowings

The following tables show the reconciliation of the changes in liabilities arising from financing activities:

	Interest-bearing debts	Lease liabilities	Total
<b>1 January 2020</b>	<b>1,707.92</b>	<b>511.02</b>	<b>2,218.94</b>
Repayments of interest bearing debts and principal portion of lease liabilities	(91.80)	(112.79)	<b>(204.59)</b>
Increase in interest bearing debts	41.55	-	<b>41.55</b>
Net decrease in loans with subsidiaries	(42.74)	-	<b>(42.74)</b>
<b>Total cash flows relating to financing activities</b>	<b>(92.99)</b>	<b>(112.79)</b>	<b>(205.78)</b>
Lease liabilities recognized during the year	-	66.18	<b>66.18</b>
Net other changes	3.16	(3.57)	<b>(0.41)</b>
<b>Total non-cash changes</b>	<b>3.16</b>	<b>62.61</b>	<b>65.77</b>
<b>31 December 2020</b>	<b>1,618.09</b>	<b>460.84</b>	<b>2,078.93</b>
thereof short-term	1,509.15	120.62	<b>1,629.77</b>
thereof long-term	108.94	340.22	<b>449.16</b>

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

## b) Investments in subsidiaries

On August 31, 2020, OMV Petrom S.A. completed the acquisition of 100% shares in OMV Offshore Bulgaria GmbH, which holds an interest in Han Asparuh offshore block in Bulgaria, from OMV Exploration & Production GmbH. The cost paid for this investment was in amount of RON 41.43 million.

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

## c) Net loans reimbursed by subsidiaries

During 2020 OMV Petrom S.A. granted loans amounting to RON 237.04 million (2019: RON 59.99 million) and was reimbursed loans amounting to RON 127.75 million (2019: RON 186.47 million).

## d) Proceeds in relation to non-current assets

In 2020, proceeds in relation to non-current assets include the amount of RON 140.19 million representing encashment from the third tranche of the government grant for Brazi power plant investment (2019: RON 226.59 million representing the first two tranches). For details please see Note 8 b).

## e) Transfer of business

In 2020 OMV Petrom did not transfer any business.

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

<b>Net assets at the date of transfer</b>	<b>2019</b>
Intangible assets and property, plant and equipment	129.63
Provisions for decommissioning and restoration	(103.87)
Other adjustments related to items transferred	1.05
<b>Net assets</b>	<b>26.81</b>
<b>Gain/(Loss) on transfer of business</b>	<b>2019</b>
Proceeds on transfer of business	78.58
Net assets disposed of	(26.81)
<b>Gain on transfer of business</b>	<b>51.77</b>

<b>Net cash flow from transfer of business</b>	<b>2019</b>
Net consideration received	78.58
<b>Net cash inflow on transfer of business</b>	<b>78.58</b>

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

## f) Disposal of investments

During 2020 and 2019, OMV Petrom did not dispose of any investment. In 2020 OMV Petrom received an advance for the expected sale of Kazakhstan subsidiaries, in amount of RON 71.59 million.

## g) Exploration cash-flows

The amount of cash outflows in relation to exploration activities incurred by OMV Petrom S.A. for the year ended December 31, 2020 is of RON 208.54 million (2019: RON 497.10 million), out of which the amount of RON 99.42 million is related to operating activities (2019: RON 129.51 million) and the amount of RON 109.12 million represents cash outflows for exploration investing activities (2019: RON 367.59 million).

## h) Other non-monetary adjustments

Other non-monetary adjustments include mainly the change in the fair value of derivatives through income statement and impact from reassessment of long-term receivables.

## i) Cash and cash equivalents

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Cash at banks and on hand	157.48	116.00
Short-term deposits	7,147.49	6,679.30
<b>Cash and cash equivalents</b>	<b>7,304.97</b>	<b>6,795.30</b>

## 30. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

Level 2: Using inputs for the asset or liability, other than quoted prices, that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). In order to determine the fair value for financial instruments, usually forward prices of commodities, as obtained from the market, and foreign exchange rates are used as inputs to the valuation model. Net amount of assets and liabilities associated with assets held for sale are measured at fair value. The basis of the valuation was fair values less cost of disposal derived from an agreed sales price.

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

### Fair value hierarchy of financial assets and assets held for sale as at December 31, 2020

	Level 1	Level 2	Level 3	Total
Derivatives designated and effective as hedging instruments	-	16.33	-	16.33
Other derivatives	-	631.19	-	631.19
Net amount of assets and liabilities associated with assets held for sale	-	445.53	-	445.53
<b>Total</b>	-	<b>1,093.05</b>	-	<b>1,093.05</b>

### Fair value hierarchy of financial liabilities as at December 31, 2020

	Level 1	Level 2	Level 3	Total
Derivatives designated and effective as hedging instruments	-	(19.58)	-	(19.58)
Other derivatives	-	(453.06)	-	(453.06)
Other financial liabilities	-	-	(15.88)	(15.88)
<b>Total</b>	-	<b>(472.64)</b>	<b>(15.88)</b>	<b>(488.52)</b>

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

	Level 1	Level 2	Level 3	Total
Derivatives designated and effective as hedging instruments	-	227.01	-	227.01
Other derivatives	-	54.55	-	54.55
<b>Total</b>	-	<b>281.56</b>	-	<b>281.56</b>

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

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

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

The financial assets and financial liabilities whose fair values differ from their carrying amounts as at December 31, 2020 and December 31, 2019, as well as the respective differences are presented in the tables below. The fair values of these financial assets and liabilities were determined by discounting future contractual cash flows using interest rates prevailing at the reporting date for similar assets and liabilities with similar maturities, obtained from the market for similar transactions (Level 2 – observable inputs).

The management assessed that the fair values of other financial assets and financial liabilities that were measured at amortized cost approximate their carrying amounts.

### December 31, 2020

	Fair value	Carrying amount	Difference
Loans to subsidiaries	346.06	333.61	12.45
<b>Financial assets</b>	<b>346.06</b>	<b>333.61</b>	<b>12.45</b>
Interest-bearing debts	1,620.79	1,618.09	2.70
<b>Financial liabilities</b>	<b>1,620.79</b>	<b>1,618.09</b>	<b>2.70</b>

### December 31, 2019

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

### Offsetting of financial instruments

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

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

#### Offsetting of financial assets 2020

	Gross amounts	Amounts set-off in the statement of financial position	Net amounts presented in the statement of financial position*	Assets with right of set-off (not offset)	Net amounts
Derivative financial instruments	647.52	-	647.52	(429.41)	218.11
Trade receivables	1,352.02	(42.72)	1,309.30	-	1,309.30
Other financial assets	249.68	-	249.68	(62.33)	187.35
<b>Total</b>	<b>2,249.22</b>	<b>(42.72)</b>	<b>2,206.50</b>	<b>(491.74)</b>	<b>1,714.76</b>

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

#### Offsetting of financial liabilities 2020

	Gross amounts	Amounts set-off in the statement of financial position	Net amounts presented in the statement of financial position*	Liabilities with right of set-off (not offset)	Net amounts
Derivative financial instruments	472.64	-	472.64	(429.41)	43.23
Trade payables	2,366.31	(42.72)	2,323.59	-	2,323.59
Other financial liabilities	279.41	-	279.41	(62.33)	217.08
<b>Total</b>	<b>3,118.36</b>	<b>(42.72)</b>	<b>3,075.64</b>	<b>(491.74)</b>	<b>2,583.90</b>

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

#### Offsetting of financial assets 2019

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

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

#### Offsetting of financial liabilities 2019

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

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

## 31.COMMITMENTS AND CONTINGENCIES

### Commitments

As at December 31, 2020 the total commitments engaged by the Company for investments (except those in relation to joint arrangements) are in amount of RON 779.77 million (2019: RON 893.11 million), out of which RON 607.28 million related to property, plant and equipment (2019: RON 717.00 million) and RON 172.49 million for intangible assets (2019: RON 176.11 million).

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

### Litigations

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

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

### Contingent liabilities

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

In December 2019, OMV Petrom S.A. signed a contract to acquire OMV Offshore Bulgaria GmbH, which holds a stake in the Han Asparuh exploration license in Bulgaria. The transaction was completed at the end of August 2020, by means of acquisition of 100% shares in OMV Offshore Bulgaria GmbH from OMV Exploration & Production GmbH.

The contract between OMV Petrom S.A. and the seller OMV Exploration & Production GmbH includes contingent variable payments to be made by OMV Petrom S.A. which are dependent on reserves determinations at final investment decision milestone and at reserves revision milestone. The reserves determinations will have to be certified by a jointly appointed suitable qualified and experienced third party reserves auditor.

At the date of these financial statements, a reliable estimate of the potential variable payments and timing, if any, cannot be made. Therefore, no provision has been recognized in this respect in OMV Petrom's Financial Statements as at December 31, 2020.

In addition, OMV Petrom has contingent liabilities representing performance guarantees in amount of RON 268.81 million as at December 31, 2020 (2019: RON 159.78 million) and a parent company guarantee (PCG) with total exposure of RON 243.47 million (2019: two PCGs in amount of RON 189.10 million), as follows:

- ▶ A PCG issued on behalf of OMV Srbija DOO to cover the risk of non-payment of liabilities for fuels to supplier Nafta Industrija Srbije j.s.c, to the limit of RON 243.47 million at December 31, 2020, equivalent of EUR 50.00 million (2019: RON 172.06 million, equivalent of EUR 36 million).
- ▶ Also, in 2019 there was a PCG issued on behalf of OMV Srbija DOO to cover the risk of non-payment of liabilities for fuels to supplier KazMunayGas Trading AG, to the limit of RON 17.04 million, equivalent of USD 4.00 million.

## 32. INTERESTS IN JOINT ARRANGEMENTS

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

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

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

OMV Petrom’s share of the aggregate capital commitments for these joint arrangements as at December 31, 2020 is amounting RON 44.73 million (2019: RON 57.86 million), mainly in relation to offshore activities requirements.

## 33. RISK MANAGEMENT

### Capital risk management

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

Net debt is calculated as interest-bearing debts and lease liabilities, less cash and cash equivalents. Due to the significant cash balance, OMV Petrom S.A. reported a net cash position of RON 5,226.04 million at December 31, 2020 (2019: a net cash position of RON 4,576.36 million).

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

### Significant accounting policies

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

### Financial risk management objectives and policies

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

To ensure that management takes risk-informed decisions, with adequate consideration of actual and prospective information/data, OMV Petrom Executive Board has empowered a dedicated Risk Management function with the objective to centrally lead and coordinate the Company’s risk management-related processes. This department ensures that well-defined and consistent risk management processes, tools, and techniques are applied across the entire organization. Risk

ownership is assigned to the managers who are best suited to oversee and manage the respective risk. OMV Petrom's consolidated risk profile is reported twice a year to the Executive Board and to Supervisory Board's Audit Committee.

### **Risk exposures and responses**

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

The main purpose of the OMV Petrom's EWRM process is to deliver value through risk-based management and decision-making. OMV Petrom is constantly enhancing the EWRM process based on internal and external requirements. The process is facilitated by OMV Petrom IT system supporting the established individual process steps (risk identification, risk analysis, risk evaluation, risk treatment, reporting, and risk review through continuous monitoring of changes to the risk profile), guided by the ISO 31000 risk management framework.

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

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

### **Climate Change Risks**

OMV Petrom consistently evaluates the Company's exposure to risks related to climate-change in addition to the market price risk from European Emission Allowances. Such risks comprise the potential impact of acute or chronic events like more frequent extreme weather events or systemic changes to our business model due to a changing legal framework or substitution of OMV Petrom's products due to changing consumer behavior. OMV Petrom recognizes climate change as a key global challenge. We thus integrate the related risks and opportunities into the development of the Company's business strategy.

### **Commodity Market Price Risk**

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 analysed, quantified, and evaluated.

Financial derivative instruments are used where appropriate to hedge the main industry risks resulting from changes in commodity prices which could have a negative effect on assets, liabilities or expected future cash flows.

Hedges are generally placed in the legal entities where the underlying exposure exists. When certain conditions are met, the Company may elect to apply IFRS 9 hedge accounting principles in order to recognize the offsetting effects in the income statement of changes in the fair value of the hedging instruments at the same time with the hedged items.

In 2020 the risk management objective for the refinery margin hedges for diesel and jet changed and therefore the corresponding hedging relationships were discontinued. The accumulated gains and losses remain in the cash flow hedging reserve upon realization of the hedged items. The gains and losses related to the forecast sales and purchases of specific products for which the hedged future cash flows were no longer expected to occur, being affected by COVID-19 outbreak, were immediately reclassified from other comprehensive income.

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives are not designated as hedging instruments, they are classified as fair value through profit or loss (FVPL) in accordance with IFRS 9.

#### Cash flow hedge accounting

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

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

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

In case of refinery margin hedges for diesel and jet, the product crack spread is designated as the hedged item, buying Brent crude oil on a fixed basis and selling the product on a fixed basis. The crack spread for diesel and jet is a separately identifiable component and can therefore represent the specific risk component designated as hedged item. In case of refinery margin hedges on fuel oil, forecast sales and purchase transactions for fuel oil and oil products are designated as the hedged items. In 2020 most of the refinery margin hedges were discontinued due to the change in the risk management objective.

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

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

#### Nominal and fair values of derivatives designated and effective as hedging instruments

2020	Forecast purchases	Forecast sales	Total
Nominal value	91.87	147.85	239.72
Below one year	91.87	147.85	239.72
More than one year	-	-	-
Fair value - assets	-	16.33	16.33
Fair value - liabilities	14.18	5.40	19.58
Cash flow hedge reserve (before tax)	(14.18)	10.93	(3.25)

2019	Forecast purchases	Forecast sales	Total
Nominal value	313.77	4,120.59	4,434.36
Below one year	193.60	2,794.79	2,988.39
More than one year	120.17	1,325.80	1,445.97
Fair value - assets	26.76	200.25	227.01
Fair value - liabilities	-	194.03	194.03
Cash flow hedge reserve (before tax)	26.76	6.22	32.98

The tables above show the fair values of derivative financial instruments designated and effective as hedging instruments together with their notional amounts. The notional amount, reflected gross, is the amount of a derivative's underlying asset and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of the transactions outstanding at the year-end and are not indicative of either the market risk or the credit risk. Fair values are presented in lines "Other financial assets" and "Other financial liabilities" in the statement of financial position.

#### Cash flow hedging - Impact of hedge accounting

	Forecast purchases	Forecast sales	Total
<b>2020</b>			
Cash flow hedge reserve as of 1 January 2020 (net of tax)	22.48	5.22	<b>27.70</b>
Gains/(losses) of the period recognised in other comprehensive income	(134.60)	467.80	<b>333.20</b>
Amounts reclassified to income statement	-	(369.69)	<b>(369.69)</b>
Amounts reclassified from OCI because the hedged future cash flows no longer expected to occur	14.79	(1.62)	<b>13.17</b>
Amounts transferred to cost of non-financial item	78.87	-	<b>78.87</b>
Tax effects	6.55	(15.44)	<b>(8.89)</b>
<b>Cash flow hedge reserve as of 31 December 2020 (net of tax)</b>	<b>(11.91)</b>	<b>86.27</b>	<b>74.36</b>
Thereof discontinued hedges	-	77.09	<b>77.09</b>
Hedge ineffectiveness recognized in income statement	(3.81)	9.72	<b>5.91</b>
<b>2019</b>			
Cash flow hedge reserve as of 1 January 2019 (net of tax)	-	4.22	<b>4.22</b>
Gains/(losses) of the period recognised in other comprehensive income	32.52	(7.83)	<b>24.69</b>
Amounts reclassified to income statement	(5.76)	9.02	<b>3.26</b>
Tax effects	(4.28)	(0.19)	<b>(4.47)</b>
<b>Cash flow hedge reserve as of 31 December 2019 (net of tax)</b>	<b>22.48</b>	<b>5.22</b>	<b>27.70</b>
Thereof discontinued hedges	-	-	-
Hedge ineffectiveness recognized in income statement	0.05	(0.34)	<b>(0.29)</b>

For "Forecast purchases" the hedge ineffectiveness is included in line item "Purchases (net of inventory variation)" in the income statement. The hedge ineffectiveness and recycling of "Forecast sales" for hedges where a risk component of the non-financial item is designated as the hedged item in the hedging relationship are shown in line item "Sales revenues" in the income statement.

#### Foreign exchange risk management

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

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

### Foreign currency sensitivity analysis

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

	December 31, 2020	December 31, 2019
<b>Assets</b>		
Thousand USD	248,360	146,059
Thousand EUR	134,441	99,559
<b>Liabilities</b>		
Thousand USD	230,609	125,643
Thousand EUR	175,014	197,297

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

#### +10% increase in the foreign currencies rates

	Thousand USD Impact (i)		Thousand EUR Impact (ii)	
	2020	2019	2020	2019
Profit/ (Loss)	1,857	1,268	(4,057)	(9,774)
Other comprehensive income	(82)	774	-	-

#### -10% decrease in the foreign currencies rates

	Thousand USD Impact (i)		Thousand EUR Impact (ii)	
	2020	2019	2020	2019
Profit/ (Loss)	(1,857)	(1,268)	4,057	9,774
Other comprehensive income	82	(774)	-	-

(i) This is mainly attributable to the exposure on USD of derivative financial assets, cash and cash equivalents, derivative financial liabilities and trade payables at the year end.

(ii) This is mainly attributable to the exposure on EUR of loans to subsidiaries, interest bearing debts, lease liabilities and trade payables.

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

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

### Interest rate risk management

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

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

**Analysis for change in interest rate risk**

	Balance as at		Effect of 1% change in interest rate, before tax	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Short term borrowings	1,505.89	1,505.36	15.06	15.05
Long term borrowings	108.98	198.00	1.09	1.98

In 2020 and 2019, there was no need for hedging the interest rate risk, hence no financial instruments were used for such purpose.

**Counterparty Credit Risk management**

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

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

**Liquidity risk management**

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

**34. EXPENSES GROUP AUDITOR**

In 2020 the statutory auditor Ernst & Young Assurance Services SRL had a contractual statutory audit fee of EUR 545,000 (2019: EUR 586,920) (for the statutory audit of the standalone and consolidated annual financial statements of the Company and of its Romanian subsidiaries and associates). Services contracted with the statutory auditor other than audit services were of EUR 128,920 (2019: EUR 120,400), representing mainly other assurance services in relation to certain reports issued by the Company that are not prohibited by Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council.

Other EY network firms performed audit services for the OMV Petrom subsidiaries of EUR 153,900 (2019: EUR 147,900) and non-audit services that are not prohibited by Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council of EUR 5,946 (2019: EUR 2,405).

## 35.SUBSEQUENT EVENTS

There are no significant events subsequent to the reporting date.

These financial statements, presented from page 13 to page 86, comprising statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes to the separate financial statements, were approved on March 17, 2021.

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Christina Verchere,  
Chief Executive Officer  
President of the EB

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Alina Popa,  
Chief Financial Officer  
Member of the EB

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Christopher Veit,  
Member of the EB  
Upstream

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Franck Neel,  
Member of the EB  
Downstream Gas

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Radu Căprău,  
Member of the EB  
Downstream Oil

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Irina Dobre,  
Vice President Finance Department

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Nicoleta Drumea,  
Head of Financial Reporting

# OMV Petrom SA

## Standalone report on payments to governments for the year 2020

## Introduction

Chapter 8 of the Annex 1 of Ministry of Finance Order 2844/2016 for approval of Accounting Regulations according to International Financial Reporting Standards (hereinafter the “Regulation”), transposing Chapter 10 of the Accounting Directive (2013/34/EU) of the European Parliament and of the Council, requires that large undertakings and public interest entities that are active in the extractive industry or logging of primary forests prepare and publish a report on payments to governments on an annual basis.

OMV Petrom S.A. (hereinafter “OMV Petrom”, “Company”) is, on one side, operating in the extractive industry and, on the other side, admitted for trading on Bucharest Stock Exchange (with shares) and London Stock Exchange (with global depository receipts). Therefore, in accordance with the above mentioned Regulation, OMV Petrom has prepared the following report (hereinafter the “Report”) on payments to governments. The Report covers the extractive activities in Romania (Upstream business segment) of OMV Petrom S.A..

The ‘Basis of Preparation’ section provides information to the reader about the contents of the Report. This section also includes information on the type of payment for which disclosure is required and on the manner in which OMV Petrom has interpreted the Regulation for the purpose of the preparation of the Report.

From a socio-economic perspective, our Company has a larger contribution at national level than the reportable payments under the Regulation. OMV Petrom makes payments to governments also in connection with other segments of activity, not only Upstream, i.e. Downstream Oil, Downstream Gas, Corporate & Other. Besides government payments, OMV Petrom contributes to the national economy by providing jobs for employees and contractors, purchasing goods and materials from local suppliers and undertaking social investment activities.

## Basis of preparation

### Reporting entities

Under the requirements of the Regulation, OMV Petrom is required to prepare a report covering payments made to Governments for its extractive activities (Upstream business segment).

### Activities within the scope of the Report

Payments made by OMV Petrom to governments in connection with any of the following activities: exploration, prospection, discovery, development and extraction of minerals, oils and natural gas deposits or other materials (“extractive activities”) are presented in this Report.

### Government

A “government” is defined as any national, regional or local authority of a country and includes a department, agency or entity undertaking that is controlled by the government authority.

### Project

According to the Regulation, the payments are reported:

- ▶ on government and governmental body basis;
- ▶ by type of payment;
- ▶ on “project” basis, where possible.

For the purpose of this report “project” is defined as the operational activities which are governed by a single contract, licence, lease, concession or similar legal agreement, and form the basis for payment liabilities to the government. Where these agreements as per the aforementioned definition are substantially interconnected, they are treated for the purpose of this Report as a single project.

'Substantially interconnected' is defined as a set of operationally and geographically integrated contracts, licences, leases or concessions or related agreements with substantially similar terms that are signed with a government, giving rise to payment liabilities. Such agreements can be governed by a single contract, joint venture, production sharing agreement or other overarching legal agreement.

There may be instances - for example, corporate income taxes - where it is not possible to attribute the payment to a single project and therefore OMV Petrom discloses these payments at the country level in the current Report.

### **Cash and Payments in Kind**

In accordance with the Regulation, amounts have to be reported on a cash basis, meaning that they are reported in the period in which they are paid, regardless of the period in which they are accounted for on an accruals basis.

Refunds are also reported in the period in which they are received and will either be offset against payments made in the period or be shown as negative amounts in the Report.

Payments in kind made to a government are converted to an equivalent cash value based on the most appropriate and relevant valuation method for each payment type. This can be at cost or market value and an explanation is provided in the Report to help explain the valuation method. If applicable, the related volumes would be also included in the Report.

### **Materiality**

Payments made as a single payment or a series of related payments that fall below EUR 100,000 within a financial year are excluded from this Report.

### **Reporting currency**

Reporting currency is Romanian Leu (RON). Payments made in currencies other than RON are translated for the purposes of this Report at the average exchange rate of the reporting period.

## **Payment types**

### **Production Entitlements**

Under production sharing agreements (PSA's) the host government is entitled to a share of the oil and gas produced and these entitlements are often paid in kind. OMV Petrom has not made such payments in the year.

### **Taxes**

Taxes levied on income, production or profits of companies are reported. Refunds will be netted against payments and shown accordingly. Consumption taxes, personal income taxes, social security contributions, sales taxes are not reported under the Regulation. Also, other taxes such as property and environmental taxes are not reported.

### **Royalties**

Royalties are payments for the rights to extract oil and gas resources, typically at set percentage of production value.

### **Dividends**

In accordance with the Regulation, dividends are reported when paid to a government in lieu of production entitlements or royalties. Dividends that are paid to a government as an ordinary shareholder are not reported, as long as the dividends are paid in the same terms and conditions as to other shareholders.

For the year ended 31 December 2020, OMV Petrom had no such reportable dividend payments to a government.

### **Bonuses**

Bonuses include signature, discovery and production bonuses in each case to the extent paid in relation to the relevant activities. OMV Petrom has not made any payments in the category in the year.

## Fees

These include licence fees, rental fees, entry fees and other considerations for licences and/or concessions, respectively for access to the area where extractive activities will be performed.

The Report excludes fees paid to a government for administrative services that are not specifically related to extractive activities or access to extractive resources. In addition, payments made in return for services provided by a government are also excluded.

## Infrastructure Improvements

The Report should include payments made by OMV Petrom for infrastructure improvements such as a building of a road or bridge that serve the community, irrespective if OMV Petrom pays the amounts to non-government entities.

These are reported either when the cash contribution was paid to the government or when the relevant assets are handed over to the government or made available for use by the local community. Payments that have a social investment nature, donations or sponsorships are excluded from the Report.

## Payments overview

The overview table below shows the relevant payments to governments that were made by OMV Petrom in the year that ended December 31, 2020.

Out of the seven payment types that are required by the Regulation to be reported upon, OMV Petrom did not pay any dividends, production entitlements, bonuses or infrastructure improvements that met the Regulation definition and therefore these categories are not shown.

(in thousands of RON)	Taxes (on income, production or profit)	Royalties	Fees (license, rental, entry and others)	Total of Payments
Romania	683,785	584,356	128,467	<b>1,396,607</b>

## Payments by project, government and type of payment

(in thousands of RON)	Taxes (on income, production or profit)	Royalties	Fees (license, rental, entry and others)	Total Payments
<b>ROMANIA</b>				
<b>Payments per project</b>				
Onshore production zones	-	444,381	107,613	<b>551,994</b>
Onshore Joint Operations	-	5,085	-	<b>5,085</b>
Offshore Black Sea	61,046	134,890	3,457	<b>199,393</b>
Payments not attributable to projects	622,739	-	17,397	<b>640,136</b>
<b>Total</b>	<b>683,785</b>	<b>584,356</b>	<b>128,467</b>	<b>1,396,607</b>
<b>Payments per Government</b>				
State Budget	683,785	584,356	-	<b>1,268,140</b>
National Company of Forests - Romsilva	-	-	74,244	<b>74,244</b>
Various Local City Councils	-	-	21,928	<b>21,928</b>
National Authority for Electricity Regulation (ANRE)	-	-	17,397	<b>17,397</b>
National Agency for Mineral Resources (ANRM)	-	-	11,656	<b>11,656</b>
Offshore Operations Regulatory Authority (ACROPO)	-	-	2,770	<b>2,770</b>
COMPET S.A.	-	-	472	<b>472</b>
<b>Total</b>	<b>683,785</b>	<b>584,356</b>	<b>128,467</b>	<b>1,396,607</b>

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Chief Executive Officer  
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Upstream

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Downstream Gas

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Downstream Oil