

# Annual Report 2021



**OMV Petrom**

The energy for a better life.

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

Starting with January 1, 2022, OMV Petrom's business segments were renamed as follows: Upstream to Exploration & Production; Downstream Oil to Refining & Marketing, and Downstream Gas to Gas & Power.

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 2021 will be published by May 31, 2022.

## 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.

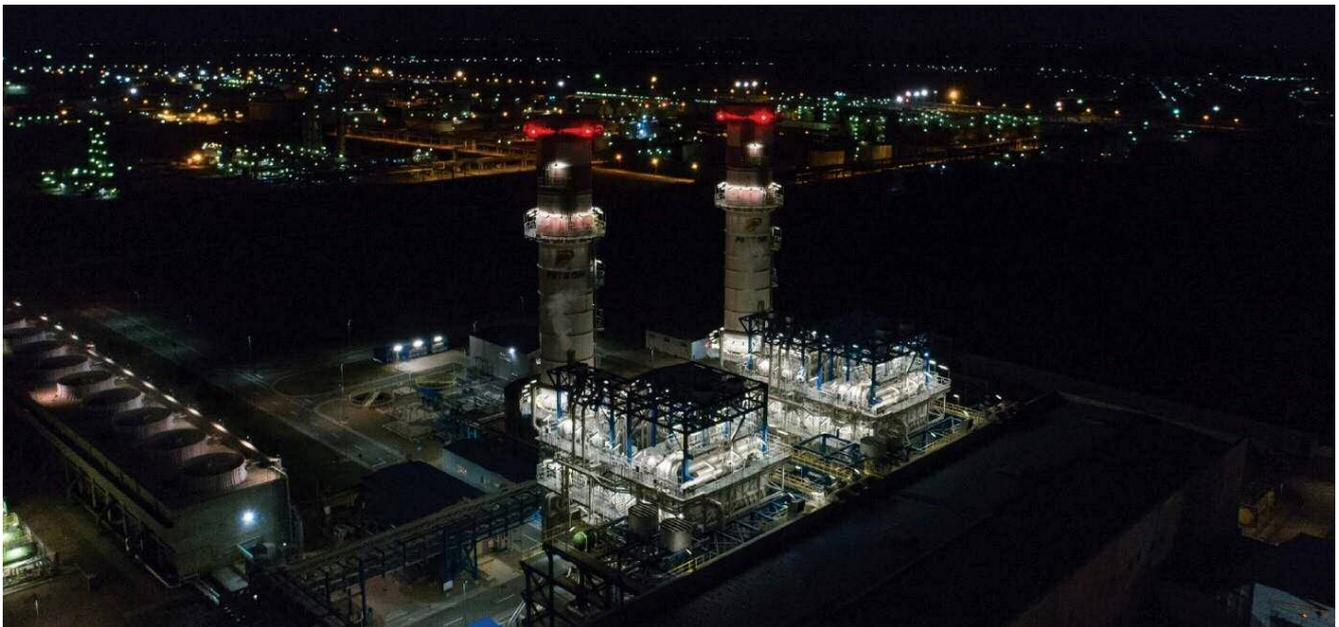
Energy is part of our lives: fuels are the basis for mobility, gas is used for heating homes, and electricity powers the appliances that make our lives easier. Behind all this stands the energy of OMV Petrom.

OMV Petrom leverages on the industry's expertise in Romania, as one of the first oil producing countries in the world. At the same time, it successfully applies innovation and technical know-how to contribute to improving the quality of life, while transforming itself into a lower-carbon integrated energy company.

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 – Exploration & Production, Refining & Marketing, Gas & Power. OMV Petrom's integrated business model provides financial resilience due to synergies and natural hedging against oil and gas price volatility.

In Exploration & Production, OMV Petrom is present in Romania, Bulgaria and Georgia. In May 2021, the company closed the divestment of the subsidiaries in Kazakhstan. Our expertise varies from deep onshore and offshore exploration to mature fields and shallow offshore production. In 2021, our portfolio consisted of 419 mn boe proved (1P) reserves and around 47 mn boe hydrocarbon production (thereof 3.2 mn tons of crude oil and natural gas liquids and 3.7 bn cubic meters of natural gas).



In Refining & Marketing, 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 787 filling stations located in Romania, Moldova, Bulgaria and Serbia. These filling stations are operated under two brands: Petrom and OMV. In 2021, the segment recorded 5.3 mn tons of refined product sales, of which 2.9 mn tons were retail sales.

In Gas & Power, 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 2021, the segment recorded gas sales volumes of 48.9 TWh (thereof 38.4 TWh to third parties), the equivalent of 4.5 bcm, and generated 4.8 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.

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

## Our business model



## Why invest in OMV Petrom

OMV Petrom is the largest energy company in Southeastern Europe and the largest Romanian company listed on the Bucharest Stock Exchange, with a market capitalization of EUR 5.7 bn at the end of 2021.

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.

**Our proposition to shareholders** is clear: growth in investment, increase in profitability and dividends – all while securing a sustainable long-term business through our energy transition.

We aim to maintain a disciplined capital approach, while investing close to EUR 11 bn and achieving a ROACE of more than 12% in 2030. We expect this to strengthen Romania and South-East Europe's security of supply, as well as the EU's energy resilience.

We target to more than double our Clean CCS Operating Result in 2030 compared to 2020 and we are confident that this will allow us to increase base dividends by 5 to 10% per annum over the decade, in line with profits. In a favorable market environment and at management discretion, special dividends may also be distributed, provided that the company's investment plans are funded. These elements are the main pillars of our attractive dividend policy: "OMV Petrom is committed to deliver a competitive shareholder return throughout the business cycle, including paying a progressive dividend, in line with the financial performance

and investment needs, considering the long-term financial health of the company".

Sustainability remains at the core of our actions, as mitigating climate change is a strategic priority for our business, and we are committed to be part of the solution for the transition to cleaner energy.

Our long-term goal is to achieve net zero operations by 2050. We target to reduce Scope 1 to 3 intensity emissions by about 20% until 2030 compared to 2019.

To help achieve this, we plan to invest approximately EUR 2 bn in innovation and new technologies, mainly in hydrogen and carbon capture and storage.

In total, we expect that about a third of our cumulated investments will be into low and zero carbon new businesses.

Since privatization, 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.

OMV Petrom will continue to consider its employees a priority, while also focusing on creating value for its customers by enhancing their satisfaction and experience.

## Excellent results supported by improved pricing and demand environment

<p>CLEAN CCS OPERATING RESULT<sup>1</sup> (IN 2020: RON 2.3 bn)</p> <p>RON</p> <p><b>4.3 bn</b></p>	<p>CLEAN CCS NET INCOME ATTRIBUTABLE TO STOCKHOLDERS<sup>1,2,3</sup> (IN 2020: RON 1.9 bn)</p> <p>RON</p> <p><b>3.4 bn</b></p>	<p>NET INCOME ATTRIBUTABLE TO STOCKHOLDERS<sup>2</sup> (IN 2020: RON 1.3 bn)</p> <p>RON</p> <p><b>2.9 bn</b></p>
<p>CASH FLOW FROM OPERATING ACTIVITIES (IN 2020: RON 5.6 bn)</p> <p>RON</p> <p><b>7.0 bn</b></p>	<p>CAPITAL EXPENDITURE (IN 2020: RON 3.2 bn)</p> <p>RON</p> <p><b>2.8 bn</b></p>	<p>TOTAL DIVIDENDS (IN 2020: RON 1.8 bn)</p> <p>RON</p> <p><b>1.9 bn<sup>4</sup></b></p>
<p>FREE CASH FLOW AFTER DIVIDENDS (IN 2020: RON 0.7 bn)</p> <p>RON</p> <p><b>3.0 bn</b></p>	<p>CLEAN CCS ROACE<sup>1,3</sup> (IN 2020: 6.4%)</p> <p><b>12.7%</b></p>	<p>DIVIDEND PER SHARE (IN 2020: RON 0.031)</p> <p>RON</p> <p><b>0.0341<sup>4</sup></b></p>
<p>PAYOUT RATIO (IN 2020: 136%)</p> <p><b>67%<sup>4</sup></b></p>	<p>DIVIDEND YIELD<sup>5</sup> (IN 2020: 8.5%)</p> <p><b>6.8%</b></p>	<p>TOTAL SHAREHOLDER RETURN<sup>6</sup> (IN 2020: -12%)</p> <p><b>46%</b></p>

All values refer to 2021, unless otherwise stated

<sup>1</sup> Adjusted for special 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 reflected in the financial result;

<sup>4</sup> Dividend subject to GMS approval on April 27, 2022; it refers to base dividend only;

<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**

**> 35% OF FUELS & GAS  
COMBINED NATIONAL  
DEMAND <sup>1</sup>**

**KEY ROLE IN  
BALANCING NATIONAL  
ELECTRICITY SYSTEM**

**JOBS**

**WE EMPLOY  
~ 8,000 PEOPLE**

**16.6**

**BILLION EURO  
INVESTED DURING  
2005-2021**

**34.7**

**BILLION EURO  
TAXES AND  
STATE BUDGET  
CONTRIBUTIONS  
PAID DURING  
2005-2021**

**~ 83** MILLION EURO IN SUSTAINABILITY  
PROJECTS DURING 2007-2021

**TECHNOLOGY IS EMBEDDED  
IN 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.



# Company

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## Statement of the Chief Executive Officer



### Dear Shareholders,

2021 was another very challenging year for us due to the ongoing COVID-19 pandemic and heightened volatility and steep increase in energy prices. Yet, we proved again our agility, ensured business continuity and security of energy supply, maintained commitment towards our stakeholders and had an excellent operational and financial performance. I am very grateful to all my colleagues from the Executive Board and the entire team for their great commitment and achievements.

Health and safety remain a top priority for OMV Petrom and, in this context, we deeply regret the two contractor fatalities that occurred in 2021. We express our sincere condolences to their families. Our focus remains to avoid any health and safety incidents.

At the end of 2021, we launched our **Strategy 2030** with clear focus on the energy transition and, at the same time, a step up in our dividend policy.

We will become the largest Romanian private investor in the energy transition, with a total investment plan of ~EUR 11 bn, of which ~20% is dedicated to regional gas growth and ~35% to low and zero carbon businesses. This will enable us to provide a diversified energy and mobility portfolio for our customers.

Our strategy is built on **three pillars: Transitioning to low and zero carbon, Growing regional gas, and Optimizing our traditional business**. The **first pillar** aims to create a greener and more diversified portfolio through investing in biofuels in our refining business, with usage of alternative

mobility, renewable power generation and new technologies in order to achieve **Net Zero operations by 2050** and help our customers decarbonize. An intermediate 2030 emission reduction target was also set: more than 30% reduction of carbon intensity for Scope 1 and 2 emissions. This pillar will account for 15% of our 2030 Clean CCS Operating Result and will constitute 35% of our cumulative CAPEX in 2022-2030. The **second pillar** focuses mainly on our Neptun Deep project, to deliver a strong growth opportunity for the company, for Romania and for our operating region, while also looking for other opportunities in the Black Sea area. This pillar will generate one third of our Clean CCS Operating Result in 2030, at the same time accounting for only one fifth of our cumulated CAPEX in 2022-2030. With Neptun Deep, the share of natural gas in our hydrocarbon production should reach about 70% in 2030. The **third pillar** aims to leverage our operational integration by optimizing our existing assets, reducing costs and improving earnings quality. This pillar will account for about 45% of our total CAPEX in 2022-2030, while generating an estimated 50% of the total Clean CCS Operating Result in 2030.

The Strategy 2030 is expected to have **four major outcomes**: 1) making a material impact on the transition to a lower carbon business and **reducing our carbon intensity** throughout all business segments; 2) driving significant **cash flow growth** (by more than doubling Clean CCS Operating Result in 2030 vs. 2020 to above EUR 1.5 bn); 3) underpinning our **highly competitive dividend policy** until 2030, implying a 5-10% annual growth in the base dividend, and leaving potentially scope for distribution of special dividends; 4) strengthening Romania's and South-East Europe's **security of supply** and the EU's energy resilience.

Our **2021 financial performance** was outstanding. Our operating cash flow reached RON 7.0 bn, 26% higher yoy. In turn, our CAPEX was down by 12% yoy, as we remained cautious in a highly volatile demand and pricing environment. Higher commodity prices and refining margins, combined with excellent asset utilization and increased energy demand acted as tailwinds for the results of all our business segments, and this, against the headwinds of lower hydrocarbon production, cost inflation and increased Upstream taxation, mostly for gas. Our 2021 Clean CCS Operating Result almost doubled yoy, still it was below the 2019 level. Yet our contribution to the Romanian state budget reached an all-time record, at RON 12.3 bn, in the context of significantly higher energy prices. We remain advocates for addressing the regulatory challenges and the implementation of appropriate measures to protect vulnerable consumers.

The excellent results were also reflected in our **share price performance**, 37% up yoy, outperforming other peers and local indices. The total shareholder return was 46%, strongly supported by the share price appreciation and also by a competitive dividend yield. Share liquidity went up by 9% yoy.

For 2020 we distributed dividends amounting to RON 1.8 bn, flat yoy, despite the challenging market environment. Moreover, based on our strong 2021 results, the Executive Board proposed a gross base dividend of RON 0.0341/share for the 2021 financial year, 10% up yoy and representing a 67% payout ratio. This comes at the top end of the 5-10% dividend growth range stated in our dividend policy. The proposal was approved by the Supervisory Board and is subject to further approval by the GMS on April 27, 2022.

**Looking ahead**, our main focus will be to implement our Strategy 2030. As part of **Transition to low and zero carbon**, we strategically aim to reduce carbon intensity of our operations by 30% until 2030 vs. 2019, and in 2022, we plan to install approximately 100 recharging stations for electric vehicles, progress in developing a renewable power portfolio and perform the first steps towards producing the second generation bioethanol. All these actions will enable us to assume a leading position in the energy transition

across the region where we operate, and we will do our very best to live up to this ambition. As to **Grow regional gas**, we expect the Neptun Deep FID to be delayed to 2023, due to the absence of amendments to the Offshore Law. At the same time, we will also perform exploration activities in the other two blocks of the Black Sea, in Bulgaria and Georgia. As to **Optimise traditional business**, the main strategic targets for 2022 are to contain the hydrocarbon production decline to 7% yoy (excluding portfolio optimization), open more than 100 new MyAuchan stores in upgraded Petrom-branded filling stations, reach a refinery utilization rate of above 95%, and achieve refined product sales in line with 2021. We currently estimate lower gas sales and net electrical output compared to the 2021 levels. The **2022 planned investments** of above RON 4 bn point to a significant year on year increase, still depending on the investment climate.

Let me take this opportunity to **thank all** of our employees, shareholders and wider stakeholders for their trust and continued support and, to ensure you that we will continue our greatest efforts to enhance both OMV Petrom's value and contribution to the countries in which we operate.

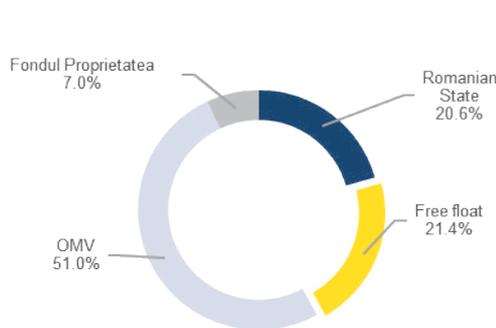
**Christina Verchere**

## OMV Petrom on the capital markets

### Shareholder structure

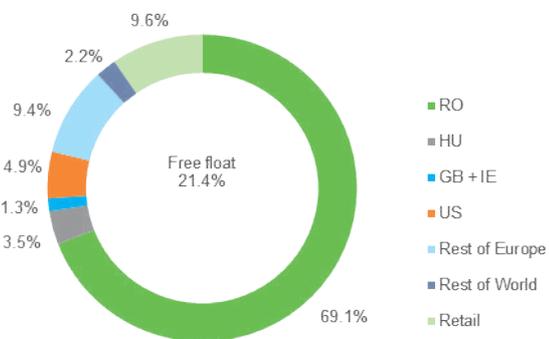
At the end of 2021, OMV Petrom S.A. had the following shareholding structure: 51.0% – OMV Aktiengesellschaft, 20.6% – Romanian State, and 7.0% – Fondul Proprietatea S.A (FP). The remaining 21.4% represents the free float, traded as shares within the Premium category of the Bucharest Stock Exchange (BSE) and as GDRs within the Standard category on the main market of the London Stock Exchange (LSE).

At the end of 2021, 482 legal entities from Romania and abroad held 90.4% of the free float shares or 19.3% of OMV



Petrom share capital, with the remainder (9.6% of the free float or 2.0% of capital) being held by around 460,000 private individuals.

On January 26, 2022, Fondul Proprietatea reduced its shareholding by four percentage points through an Accelerated Book Building (ABB); thus, at the date of the report, shareholding structure is the following: 51.0% – OMV Aktiengesellschaft, 20.6% – Romanian State, 3.0% – Fondul Proprietatea S.A (FP), and 25.4% – other shareholders.



An analysis of our shareholder structure, as at the end of 2021, shows that 69.1% of the free float was held by Romanian institutional shareholders (2020: 67.5%), 9.6% by retail investors (2020: 9.5%), while the rest was held by foreign institutional shareholders, as follows: 4.9% from the USA (GDR component included in this category) (2020: 2.5%), 3.5% from Hungary (2020: 3.4%), 1.3% from the UK and Ireland (2020: 1.7%), 9.4% from other European countries (2020: 11.7%), and 2.2% from rest of the world (2020: 3.8%).

### Shares

The year started with a weak evolution of the share price, **the lowest share price of the year**, of RON 0.3695, being reached on January 4. Afterwards, the stock gradually increased, reaching the **highest share price of the year** of RON 0.51 (on November 3).

On the **ex-dividend** date May 13, the SNP share price corrected by 7.4% (RON 0.035), more than the equivalent of 2020 dividend per share of RON 0.031. Later that month, on May 27, the share price recorded another 4.6% daily decline (vs. the 2.6% BET index decrease) generated by the MSCI rebalancing announcement on the inclusion, in one step, of

Iceland in Frontier markets (Iceland had a ca. 8% weight in the index).

Quarterly results publication, while generally in line with analysts' expectations, generated mostly neutral reactions. Still, the share price declined by 1-2% in most quarters, while after the Q2/21 and Q3/21 Trading Updates' publication, share price appreciated by 2-3%. A 2% increase was recorded after Q4/20 results publication, when the 2020 initial dividend proposal was also announced.

Besides company news, the evolution of OMV Petrom share price in 2021 was mainly influenced by: 1. the authorities' statements on possible timing of the Offshore Law change and/or negotiations between Romgaz and ExxonMobil; 2. global index related announcements; 3. oil price volatility (OPEC+ announcements on monthly production quotas).

News on the **takeover by Romgaz of ExxonMobil stake** in the company that operates the Neptun Deep block usually had a positive impact on OMV Petrom share price. As an example, we would highlight the 2.1% daily increase on March 31, the day when Romgaz submitted its offer for ExxonMobil shares and the Romanian authorities indicated the aim for a change of the **Offshore Law** by end H1/22.

Political unrest caused by the changes in the ruling coalition and government generated expectations of delays in amending the Offshore Law and largely explained the 4.3% daily decline in OMV Petrom share price on August 31.

On August 23, OMV Petrom share price increased by 3.1% following the official announcement on the **inclusion of the company shares in FTSE Emerging Markets (EM) indices**. The share prices adjusted downwards by 4.3% on September 20, the actual day of the inclusion in the FTSE EM indices. On September 17, the date of the FTSE indices rebalancing, the OMV Petrom share recorded its **highest daily traded volume** in the year on the Regular market of 306.2 mn shares.

Another element that brought significant swings in OMV Petrom share price performance was related to oil price evolution (**OPEC+ announcements on monthly production levels**). For example, on March 5, the unexpected announcement of OPEC+ that it will maintain the production cuts in April led to a 4.1% share price appreciation (while the oil price went up by 2.3% on that day). Opposite moves were recorded on July 19, when OMV Petrom share price declined by 2.8%, yet outperformed the oil price, which suffered its biggest to date daily decline of 6.4% since June 2020, after OPEC+ deal to increase output

stoked fears of a surplus just as rising COVID-19 infections threatened demand. The OMV Petrom share price declined even more, i.e. by 4% on November 26 (and oil price by a waping 11%), as the new COVID-19 variant Omicron initially raised fears of renewed global travel restrictions, and by the announcement that the U.S. will release oil from its Strategic Petroleum Reserve in an attempt to pressure gasoline prices lower.

On December 7, the OMV Petrom share price recorded its third large daily appreciation in the year of 3.3%, following the Strategy 2030 release and the reinforcement of the company's dividend policy via a stronger commitment to increase the base dividend and the possibility of special dividends.

In 2021 the **average OMV Petrom share price** for trades on the Regular market was RON 0.4359, 26% higher than the 2020 figure of RON 0.3473, while the average dated Brent oil price increase was of 69% yoy. The **average daily traded volume**, including Deal trades, was 10.8 mn shares (2020: 9.9 mn), up 9% yoy. The **average daily traded value** was RON 4.75 mn, up 40% yoy in RON terms. The 2021 average daily traded value in EUR terms was EUR 0.97 mn.

**OMV Petrom share price (SNP) and BET performance 2021**  
30 December 2020 = 100



The domestic indices also recovered from their 2020 lows caused by the COVID-19 pandemic. The **BET index** closed the year 33% above the value of at the end of 2020. The **BET-NG index** (comprising stocks in the energy and utilities sectors) in which OMV Petrom has a weight of around 30%, increased by 29% yoy. The **BET-BK index** (designed as a benchmark for asset managers and institutional investors) also increased by 35% yoy. The **BET-TR (total return BET)** appreciated by 40% yoy in 2021.

Outperforming the BET index by 4.1 percentage points, OMV Petrom share ended the last trading session of the

year on December 30 **at the share price of RON 0.4990**, 37% higher yoy. **The total shareholder return** (including the dividend of RON 0.031/share for the 2020 financial year and paid in 2021) **was 46%**.

OMV Petrom S.A. **market capitalization** at the end of 2021 was RON 28.3 bn or EUR 5.7 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 19 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

	2021	2020	Δ (%)
Number of shares (mn)	56,644.1	56,644.1	0
Market capitalization (RON mn) <sup>1</sup>	28,265	20,590	37
Market capitalization (EUR mn) <sup>1</sup>	5,712	4,229	35
Year's high (RON)	0.5100	0.4500	13
Year's low (RON)	0.3695	0.2735	35
Year end (RON)	0.4990	0.3635	37
EPS (RON)	0.0506	0.0228	122
Dividend per share (RON)	0.034 <sup>2</sup>	0.031	10
Dividend yield (%) <sup>1</sup>	6.8	8.5	(20)
Payout ratio (%) <sup>3</sup>	67	136	(51)

<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, 2022;

<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 2021 was USD 18.0, translating into a 38.5% yoy increase. In 2021, the GDR price ranged between a USD 18.0 **high** (first reached on November 10) and a USD 13.0 **low** (first reached on January 4).

In total, 95,026 GDRs were traded in 2021 (2020: 4,454), while the **daily average number of GDRs** was 373 (2020: 17).

The **highest monthly trading volume and value** were reached in April (65,300 GDRs worth of USD 1.1 mn), while

the lowest July and December (no trades). **The total value of GDRs traded** in 2021 was USD 1.55 mn (2020: USD 0.06 mn).

2,850 GDRs were issued in April, 480 in May and 5,106 in November. 6,000 GDRs were cancelled in January 2021, 4,853 in April, 57,700 in May and 10,000 in August. The **number of GDRs outstanding** at the end of each month ranged between 175,611 (in January) and **111,494 (in December)**. The latter figure represents 4.5% of the GDRs issued in the October 2016 Secondary Public Offering and 0.14% of the free float as of end-2021.

In 2021, indices on the European and US exchanges recovered from the very depressed 2020 levels caused by the COVID-19 pandemic. 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 marginally

underperformed, as the outlook for oil demand recovery remained uncertain with the various virus variants. DAX index increased by 15.8% yoy, FTSE 100 increased by 14.6% yoy, STOXX Europe 600 increased by 22.5% yoy, STOXX Europe 600/Oil & Gas closed 17.5% higher yoy, while Dow Jones Industrial average increased by 18.9% 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 2021, OMV Petrom S.A. held a total number of 204,776 own shares, representing 0.0004% of issued share capital. In 2021, OMV Petrom did not buy back or cancel any Treasury shares.

### Investor Relations activities

During 2021, 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 only online. Such interactions provided the opportunity to regularly update investors and analysts on the company's response to challenges posed by energy prices volatility, and by Europe's Fit for 55 package as well as on the quarterly operational and financial performance.

In 2021, we attended 13 events and we virtually met around 80 investment funds from all over the world. With the occasion of our Strategy 2030 release in December 2021, we organized a Capital Markets Day, as well as a non-deal road show, during which we had a total of 22 one-on-one and group meetings with investors. In total we met 49 investment funds from 16 countries: 10 from Romania, 9 from UK, 7 from France, 6 from US, 3 from Germany, 2 from Estonia, 2 from Check Republic, 2 from Poland and one from each of the following countries: Japan, Singapore, Sweden, Austria, Denmark, Belgium, Hungary and Bulgaria.

In 2021 we also attended ten investor conferences organized by brokers (of which six at IR level only).

During 2021, the number of interactions with focus on ESG (Environmental, Social and Governance) topics increased. More specifically, we received questions around the impact of Europe's Fit for 55 package on our sustainability strategy, capital expenditure plans, long term business viability in the context of increased European push for less use of fossil fuels.

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 2021, **OMV Petrom stock was covered by ten analysts** (2020: nine), of whom nine (or 90%) had "Buy" or equivalent ratings (end of 2020: 89%) and one (or 10%) had a "Hold" or equivalent rating (end-2020: 11%). Same as at end of 2020, no analyst had a Sell rating. **The average target price (TP)** according to analyst consensus estimates was RON 0.544 (translating into a 9.0% upside potential compared to the share price of RON 0.4990 on the last day

of trading in the year). This compares to an average TP of RON 0.403 as at end-2020.

### Dividends

The Supervisory Board has approved the Executive Board's proposal to the Ordinary GMS to distribute a gross dividend per share of RON 0.0341 for the year 2021, which is in line with the current dividend policy. This translates into a total cash outflow of RON 1,932 mn, a payout ratio of 67% of the Group's 2021 net profit attributable to stockholders of the parent (2020: 136%), or 41% of the Group's 2021 free cash flow (2020: 73%). The 2021 dividend proposal is subject to the approval of the forthcoming Ordinary GMS on April 27, 2022.

### Dividend policy

OMV Petrom S.A. (the Company) is committed to deliver a competitive shareholder return throughout the business

cycle, including paying a **progressive dividend**, in line with the financial performance and investment needs, considering the long term financial health of the Company.

On December 7, 2021, the Company made a stronger commitment **to increase its base dividend per share by 5% - 10% per annum on average by 2030.**

In a favorable market environment and at management discretion, **special dividends may also be distributed**, provided that the Company's investment plans are funded.

Total dividends are estimated to represent approximately **40% of the Company's operating cash flows** for 2022-2030 in a base case price scenario.

## Strategy 2030: Transforming for a lower carbon future

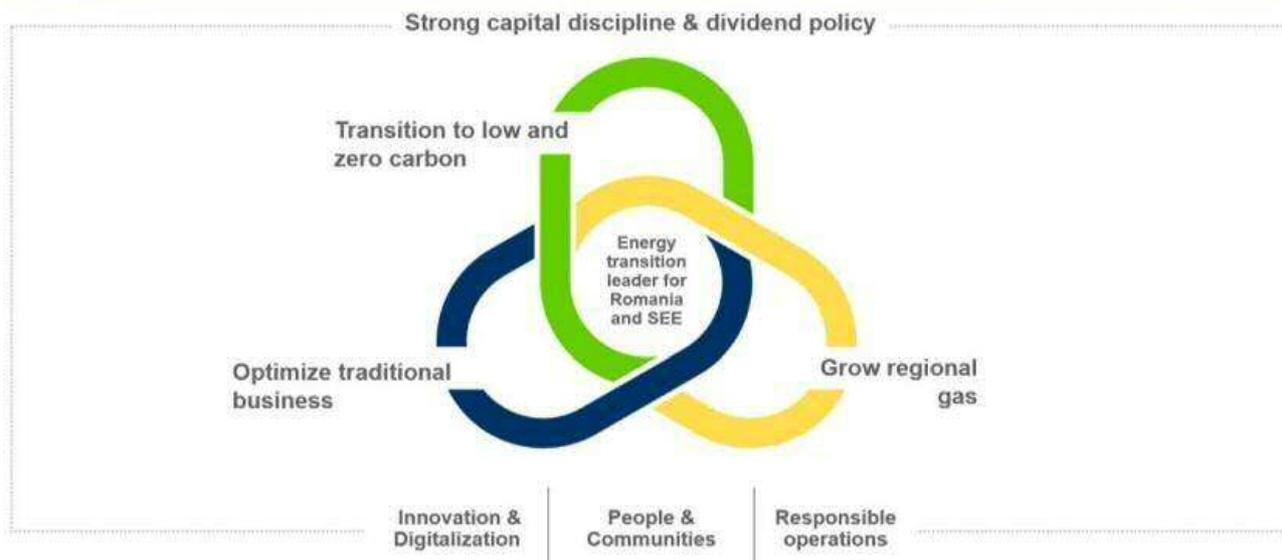
Building on the existing, very solid foundation of our traditional business model, as well as on our key role in the Romanian economy, at the end of 2021, we announced our **Strategy 2030**. Our strategic ambition is to **Lead the energy transition in South-East Europe, capitalizing on opportunities in our emerging markets** and we will do our very best to live up to this ambition. In the midst of many uncertainties, we know this to be true: we will grow our business, provide more energy with less emissions, increase the rewards to our shareholders, help our customers decarbonize and we will make our employees proud to be part of this journey.

We recognize climate change as one of the most important global challenges as well as opportunities of today and we support the goals set forth by the Paris Climate Change Agreement. To this end, sustainability is fully embedded in our strategy.

The strategy is built on three pillars – **Transition to low and zero carbon, Grow regional gas, Optimize traditional business** – and is expected to have four major outcomes.

First, it will make a material impact on the transition to lower carbon business and will **reduce our carbon intensity throughout all business segments**. Second, it will drive significant **cash flow growth**, while developing new businesses such as renewable power, advanced biofuels and alternative fuels, and testing new technologies such as carbon capture usage and storage, and hydrogen. Third, it will underpin our **highly competitive dividend policy** out to 2030, providing our shareholders with 5 -10% annual growth in base dividend, and potential distribution of special dividends. Fourth, it will strengthen Romania’s and South-East Europe’s **security of supply** and the EU’s energy resilience.

### OMV Petrom Strategy 2030: Transforming for a lower carbon future



#### Market environment

Romania is one of Europe’s fastest growing economies, in a rapidly changing energy context, and the company is ready to capture this opportunity. However, while the demand for energy is expected to rise, so too is the demand from our customers to decarbonize. In 2021, the urgency of fighting against climate change was in the global spotlight on numerous occasions, such as the UN COP26 conference. In addition, regulatory initiatives such as EU’s Fit for 55 package are setting new guidelines that are bound to impact significantly many industries and society as a whole. At the

same time, ensuring a stable and secure supply of energy remains a high priority on the global agenda.

**Gas demand** in Romania is expected to grow by 20% until 2030 compared to 2019, supported mainly by new gas-fired power generation capacities coming online, as well as gradual increase in household demand supported by the expected increase in disposable income. Thereafter, gas demand is expected to decrease, as the share of renewable sources in the electricity mix will increase and lower operating rates for gas-fired power plants are forecasted.

Despite the decline, gas will continue to play a key role in the Romanian energy system through 2040, enabled by increasing demand for hydrogen production.

**Power demand** is projected to increase by about 10% in 2030 compared to 2019, driven by economic growth and electrification, mainly in transportation. Moreover, the power generation mix will change, driven by a decrease in coal use and an increase in wind, solar and biomass capacities. Post-2030, domestic power demand is expected to continue to rise as electrification progresses not only in transportation, but also in more challenging-to-decarbonize industries, such as steel and cement.

**Demand for gasoline and diesel** will be driven by an increase in the motorization rate, which in Romania is currently only two thirds of the EU average. All three types of fuels – diesel, gasoline and jet – are expected to register higher demand by 2030 compared to 2019. Gasoline will benefit from higher car penetration and strong push towards hybridization. Diesel demand will also grow due to its extensive use in commercial transportation and the continued imports of second-hand diesel cars from Western Europe. Jet fuel will recover to above 2019 level due to the intensification of the airline transportation. Post-2030, pressure on fossil fuels will intensify and the demand is expected to decrease for diesel and gasoline, while jet consumption will see continued growth up to 2040, albeit at a slower pace, due to greater difficulties in substituting jet fuel compared to the traditional fuels used in road transportation.

The Strategy 2030 has the right balance for OMV Petrom to transition to a lower and zero carbon product mix, while delivering a secure and stable supply to meet Romania's energy demand.

#### Transition to low and zero carbon

Our objective is **Net Zero operations by 2050**, and to achieve it, three key directions will be pursued: **decarbonize current operations, expand lower carbon gas business, pursue low and zero carbon business opportunities**. The three directions further translate into several technologies and new energy solutions that OMV Petrom will develop and apply, based on its unique expertise and capabilities.

First, the measures to **decarbonize our current operations** will lead to 30% reduction of Scope 1 and 2 carbon intensity until 2030 versus 2019. This will be achieved via reductions of more than 70% in E&P, more than 15% in refining and more than 20% in the power generation business. We also target Scope 1-3 carbon intensity reduction by 20% in 2030 vs. 2019, with lower and zero carbon energy for customers

to account for ~60% in total products sold in 2030. We have set a target to reduce our methane intensity to less than 0.2% by 2025, in line with international targets. In addition, we aim to improve detection and to reduce fugitive emissions. We also stand by our commitment to the World Bank's initiative "Zero routine flaring by 2030" to ending the routine flaring and venting of associated gas from oil production by 2030. Reaching our carbon targets will be enabled by optimizing the E&P portfolio and using renewable power for our operations. In 2021, we achieved 10% reduction in carbon intensity index compared with 2019.

Second, the Black Sea gas will help **expand our lower carbon gas business**, thus the share of gas in the company's hydrocarbon production mix will increase to around 70%. The increase in equity gas will also support the country's efforts to decarbonize, as gas can replace coal in power generation and enable integration of renewable capacities into the power system. This reflects the pivotal role of natural gas as a transition fuel in the energy mix in Romania.

Third, we will **develop low and zero carbon business opportunities**. Our investments will capitalize on Romania's opportunities regarding renewable power, biofuels and alternative fuels, as well as hydrogen, on the potential for carbon capture and storage, and on OMV Petrom's expertise and know-how to capture these value pools. Last but not least, by providing our customers with a range of lower carbon energy options on the longer term, we will be also contributing to their decarbonization journeys.

Building on the integrated business model currently including the Brazi power plant, we aim to complement our power assets portfolio with renewable power assets, by initiating investments in solar photovoltaic technologies. We target to put in function **more than 1 GW of renewable power capacity** in Romania by 2030, with added potential in the neighboring countries. Since Romania has the highest solar potential in the region, the country is also well placed to benefit from EU funds for investments in photovoltaic power plants.

**Biofuels** can contribute significantly to reducing emissions in road transportation and aviation. The company plans to exceed 15% biofuel in total fuel production in 2030. We target **150 kt/year of cellulosic ethanol production** from straw by 2030, capitalizing on Romania's competitive advantage in terms of availability and cost of straw, thanks to the country's large agricultural sector. Furthermore, we look into additional opportunities to use waste agricultural products for producing **sustainable aviation fuel and**

### renewable diesel, targeting a production of 450 kt/year in 2030.

Meeting net-zero targets as a society means not only changing the supply mix in terms of carbon content, but also a transformation of the demand mix. We aim to develop a low carbon mobility infrastructure that will help drive the future of mobility in this part of Europe, with **more than 500 points of alternative fuels**. This will include the largest network for electric vehicles in OMV Petrom's operating region by 2030, as well as LNG and CNG investments. At the end of 2021, 34 electrical chargers were installed based on the partnerships developed, of which 21 were operational.

Our ambitious decarbonization plans go beyond renewables, sustainable fuels and mobility. Romania offers potential for **carbon capture and storage (CCS) and for the hydrogen economy**, while OMV Petrom has unique opportunities within its portfolio, as well as the financial capacity to capitalize on them. Regarding CCS, we plan to take advantage of our high-quality geological formations that offer significant long-term carbon storage potential. CCS is expected to play a critical role in reducing emissions not only for our operations, but for the industry at large. The demand for CCS from hard-to-abate industries will increase, thus we will be looking for partnerships with such industrial players. We are working on a demonstration project that could have the first injection occurring in the second half of the decade, if all prerequisites are in place. In addition, OMV Petrom will test an innovative technology for carbon capture and utilization at the Petrobrazi refinery. In May 2021, OMV Petrom became partner in an ambitious European project to address the problem of CO<sub>2</sub> emissions through carbon capture and conversion technologies. Over a five-month period in 2024, we will capture the CO<sub>2</sub> from flue gases released by the cogeneration unit, further converting it electrochemically into a marketable product.

Another energy source with high development potential is hydrogen. The demand in Romania is set to grow significantly by 2040 and OMV Petrom has the opportunity to become an important integrated hydrogen player in the country. We are looking into low carbon hydrogen obtained from natural gas, as well as into hydrogen produced using renewable energy.

### Grow regional gas

The Black Sea area, the focus of the second strategic pillar, is estimated to hold significant resources. **Neptun Deep development** is the company's most important strategic

project in the Black Sea, a game changer for OMV Petrom and for Romania. Subject to final investment decision in 2023, first gas is expected approximately four years later. This project will have a significant contribution to our reserve replacement ratio, which is expected to exceed 100% when Neptun project starts. This gas volume represents a significant shift in our portfolio, ensuring 70% gas in the hydrocarbon production mix. As already announced, after the completion of the Romgaz-ExxonMobil deal, OMV Petrom will be the operator of the block. We plan to invest up to EUR 2 bn in the project and the estimated recoverable resources of around 50 bcm would ensure around 70 kboe/d plateau production net to OMV Petrom.

OMV Petrom has more than 40 years of experience and knowledge as an operator in the Black Sea basin and this can help unlock potential for further growth beyond Romania, positioning the company as the partner of choice in the Black Sea region. We already have access to the neighboring **Bulgarian offshore block Han Asparuh**, located south of the Neptun Deep block (42.86% OMV Petrom, 57.14% TotalEnergies as operator). Following geological and geophysical studies to identify additional drilling targets, one well is planned to be drilled in 2022-2023, with further 2-3 more wells to follow.

On the opposite shore of the Black Sea, OMV Petrom holds the title for the **offshore exploration Block II in Georgia**. The Production Sharing Contract was signed in March 2021 and works were initiated to prepare for the acquisition of seismic data in 2022, which will allow for a detailed evaluation of this block's potential. A decision regarding exploration drilling is expected at the beginning of 2024. In line with industry practice, we are also taking into consideration farm-down options, in order to share the risks and returns of these projects.

In order to focus on the Black Sea area, OMV Petrom managed to divest, in the first half of 2021, its subsidiaries in Kazakhstan and the corresponding production assets to Magnetic Oil Limited.

### Optimize traditional business

The third pillar of the Strategy 2030 focuses on **value over volume and operational excellence** in all business segments, capitalizing on our integrated business model. Our core business will continue to be highly cash generative, and the main financing source for our investments in regional gas growth and low and zero carbon projects, as well as for the dividend distribution, until Neptun Deep comes on stream.

In **Exploration and Production**, our main strategic objectives are to **maximize the economic recovery** of our mature fields and to **lower the unitary production cost**. We will significantly reduce complexity in our operations ensuring the resilience and profitability in the long run by further divesting non-strategic fields and outsourcing non-core activities. At the end of 2021, the transfer of 40 marginal onshore oil and gas fields in Romania to Dacian Petroleum S.R.L. was finalized as part of a business transfer arrangement. For the remaining assets, our target is to reach 95% modernized and automated facilities and wells by 2030 (vs. 82% automated wells and 76% modernized/automated facilities in 2021). Notwithstanding all our efforts to decrease costs, the unit production cost will be negatively impacted until 2025 by significantly lower production volumes (of around 100 kboe/day), but it is expected to decrease thereafter to around USD 7/boe by 2030 driven by the Neptun Deep project. In 2021, the production cost was USD 12.73/boe for a production of around 129 kboe/day. With Neptun Deep volumes, the production is estimated to be higher than 160 kboe/day in 2030, while the operating cash flow is expected to increase at a 2020-2030 CAGR rate of over 5% (from around USD 11/boe in 2020).

To unlock additional resources, we will concentrate our investments on the most profitable 100-120 fields, mature the contingent resources via infill drilling and near-field opportunities and implement enhanced oil recovery projects. We also plan to drill more than 60 new wells and sidetracks and perform more than 400 workovers jobs on average annually by 2030.

In **Refining and Marketing**, our top priorities are maximizing Petrobrazi's profitability, **building a sustainable refining business** and **securing our leading retail position in Romania with our dual brand strategy** complemented by strong partnerships. Since 2005, we have invested more than EUR 1.8 bn in our **Petrobrazi refinery** to ensure best-in-class asset operations and reliability, capturing value from our integrated operations and increased fuel demand over the period. Until 2030 we expect an average refinery utilization rate greater than 95%. In 2023 and 2028, major turnaround programs are planned, thus the utilization rate will be between 85% and 90% in those years. We will further maximize value through integration and efficiency, shifting production towards higher value products and preparing for a more sustainable refining business. We will upgrade the bottom of the barrel towards non-fuel products such as bitumen, carbon black or calcined coke (up to around 200 kt/year in 2030), and explore value-adding opportunities, including an increase in aromatics capacity with 50 kt/year in 2030 compared to 2020.

In **retail**, our long-term ambition is to maintain our current leading position in Romania while capitalizing on our position in the other markets where we operate. We will continue to leverage our dual brand strategy – Petrom and OMV – as our main competitive advantage. For the Petrom brand, we will pursue strategic partnerships in the non-fuel business, such as the one with Auchan. At the end of 2021, 128 myAuchan stores were opened and our target is to finalize the roll-out by 2024. In order to increase customer loyalty and attract especially younger families, dedicated campaigns will help secure Petrom's top positioning as a brand of national importance offering the best value for money. In the premium segment, the OMV brand will maintain its position as top-quality leader with high-performance fuels. This is perfectly complemented by the VIVA shop experience which stands for higher value products with high-quality ingredients. The future mobility landscape will be diverse, reflected in the customer demand and the availability of future energy choices. We will continue to explore all alternative energy and fuel solutions. One of our strongest competitive advantages in retail is the extensive customer base, which is expected to increase to above 2 mn clients per day in our stations and will allow us to have a meaningful impact on decarbonizing mobility. We will expand our portfolio with a broader number of services offered, such as last mile delivery, pick-up point and waste to energy services. Digitalization plays a key role in our lives and is expected to have a great impact on the customers' future experience and focus. We aim for a single digital gate to our brands, by offering timely and tailor-made future experiences. All these will be reflected by our performance – our non-fuel business margins are expected to double by 2030 compared to the ca. EUR 80 mn in 2020. Together with the rise of throughput per filling station by around 20% compared to 5 mn liters in 2020, non-fuel business will drive the increase in profitability per filling station by 20% in 2030 compared to 2020.

In **Gas and Power**, we aspire to become the **supplier of choice for customers in their energy transition**. We will grow beyond equity gas, by further extending origination and trading, enhancing gas and power portfolio management, and developing operations in the neighboring countries. These will translate into total gas sales increasing to approximately 70 TWh by 2030 from around 49 TWh in 2021. In the power business, our investments in renewable power will lead to green power sales making up more than 20% of our total power sales by the end of the decade, thus contributing to our ambition to reduce our carbon intensity and Scope 3 emissions and supporting our customers' transition to cleaner energy.

### Financial frame

The financial frame is based on three key elements: rigorous capital discipline, strong financial performance, and attractive returns to shareholders. Our healthy balance sheet and strong asset base support our strategic ambitions of combining value growth with competitive shareholder returns. Financial targets for 2030 include robust cash generation, **more than double Clean CCS Operating Result in 2030** versus 2020 to above EUR 1.5 bn (of which around 15% from low and zero carbon business and one third from regional gas growth), and a progressive increase in **Clean CCS ROACE to more than 12% in 2030**. We envisage for the strategy period an overall **CAPEX of around EUR 11 bn**, with EUR 3.7 bn or 35% allocated to low and zero carbon projects. The targeted internal rates of return for traditional and regional gas growth projects are above 12%, while for energy transition we aim to achieve above 9% unleveraged internal rate of returns. In any scenario, we plan to limit the gearing ratio at 20% throughout the strategy period.

OMV Petrom Strategy 2030 enables stronger commitment to dividend growth, namely an **increase of the base dividend per share by 5 - 10% per annum** on average by 2030. In a favourable market environment and at management discretion, **special dividends may also be distributed**, provided that CAPEX plans are funded. Total dividends are estimated to represent approximately 40% of the company's operating cash flows for 2022-2030, in a base case price scenario.

Our Strategy 2030 shows how we will further transform our company, offering decarbonization solutions to our customers, supporting the Romanian society on its path to a carbon-neutral future and creating sustainable long-term value for all our stakeholders. By the end of this transformation journey, we will be **a new OMV Petrom** – a strong, modern and resilient leader in the lower carbon energy landscape.

# Sustainability <sup>i</sup>

## Our approach to sustainability

For OMV Petrom, Sustainability means driving the energy transition in South-East Europe and contributing to United Nations' (UN) 2030 Agenda for Sustainable Development, by running responsible operations, fostering people and communities, and leveraging innovation and digitalization.

Sustainability is part of every aspect of our business – with the UN 2030 Sustainable Development Agenda integrated into our sustainability mission and links between the 17 goals and our strategic ambition and enablers.

The Sustainability Framework is built on strategic enablers with four focus areas, which include 11 material topics, to emphasize our direct contribution to the UN Sustainable Development Goals (SDGs). The status of 2025 and/or 2030 targets as of end-2021 is presented below.

## 1. Transition to low and zero carbon

### Carbon emission reduction

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.

### 2021 achievements

- ▶ 10% reduction vs. 2019. Target 2030: reduction of 30% in carbon intensity index of our operations;
- ▶ we continued to implement projects to phase out routine flaring. Target 2025: no new projects with routine flaring and venting practice and phase out existing routine flaring and venting latest until 2030.

## 2. Run responsible operations

We will achieve our business and climate ambitions by prioritizing the health and safety of our employees, customers and partners, focusing on resource efficiency and environmental protection, and acting with integrity and transparency towards all our stakeholders.

## Health, safety, security and environment<sup>ii</sup>

HSSE is the highest priority in all our activities and is essential to achieve the vision of “ZERO harm – NO losses”.

### 2021 in a nutshell

- ▶ 2 fatalities recorded for contractor employees. Target 2025: achieve zero work-related fatalities;
- ▶ combined LTIR = 0.28 per one million hours worked. Target 2025: stabilize LTIR at below 0.30;
- ▶ 0.14 for Process Safety Event Rate<sup>iii</sup> – leading position maintained. Target 2025: keep leading position (reference value = 0.18).

### Business principles<sup>iv</sup>

OMV Petrom follows the guidelines of the UN Global Compact, the UN Guiding Principles on Business and Human Rights, and the UN's SDGs.

### 2021 achievements

- ▶ 4,100 employees were trained in business ethics. Target 2025: raise business ethics awareness for all employees through trainings and compliance communication programs;
- ▶ 786 registered grievances and 570 solved, in addition to 67 from the previous year. Target 2025: assess Community Grievance Mechanism of all business divisions against UN Effectiveness Criteria<sup>v</sup>.

## 3. Foster People & Communities

We aim to build and retain a talented, diverse and engaged team to support the company's transition to a low carbon business and its regional growth ambitions. We strive to make a positive impact in our communities, by listening and acting on their concerns and supporting their sustainable development.

### Employees<sup>vi</sup>

OMV Petrom sees its employees as the key to its success.

### 2021 achievements

- ▶ 30.6% share of women at management level, already ahead of our target. Target 2025: 30% share of women at management level;

<sup>i</sup> All information on 2021 achievements refers to preliminary data or estimates; final data will be available in the 2021 Sustainability Report to be published by 31 May 2022;

<sup>ii</sup> The 2030 targets for the other focus areas are under development to be finalized in 2022;

<sup>iii</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>iv</sup> The 2030 targets for the other focus areas are under development to be finalized in 2022.

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

<sup>vi</sup> The 2030 targets for the other focus areas are under development to be finalized in 2022;

- ▶ 15 fresh graduates hired. Target 2025: increase the next generation of talents through fresh graduate employees;
- ▶ dedicated programs continued. Target 2025: measure and increase the engagement level of our employees.

#### Supply chain

##### 2021 achievements

- ▶ 14 supplier audits conducted. Target 2025: 20 supplier audits covering sustainability topics.

#### Community relations

##### 2021 achievements

- ▶ > EUR 11 mn investment for social and environmental projects. Target 2025: 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.

#### Human rights

##### 2021 achievements

- ▶ 470 employees trained on human rights. Target 2025: human rights training for all employees exposed to human rights risks.

#### 4. Leverage Innovation & Digitalization

We are committed to explore the use of innovative technology, research and pilot projects in new energy solutions.

##### Innovation – Circular Economy<sup>vii</sup>

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.

##### 2021 achievements

- ▶ started the first economical enhanced oil recovery (EOR) polymer project, after a successful pilot in 2020; aim for starting injection by Q2/22. Target 2025: implement Improved Oil Recovery (IOR) pilots to increase the recovery factor of our oil fields.

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

<sup>vii</sup> The 2030 targets for the other focus areas are under development to be finalized in 2022.

## People

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 developed in 2021

- ▶ Launch of **GROW** – a Leadership Program focused on three main behaviours: Simplify the Company & Save Time, Develop & Empower People, Collaborate. Strong leaders are the key for the success of a company and by investing in them we ensure that all our people will be engaged and motivated to continue helping us to deliver the strategy and stay competitive. GROW is based on a minimum nine-month micro-learning concept and on the daily needs of OMV Petrom Leaders, board members and first line of management.
- ▶ Implementation of **Communication Kit for managers** project – it aims to foster an open communication culture, to value and empower managers as primary message carriers to all employees, to provide essential social communication know-how to effectively engage with their employees and social stakeholders. We prepared a quarterly Communication Kit to disseminate to all management levels an overview of the main messages in the organization. The kit includes a guide with tips and tricks on how to better communicate in the meetings with their team.
- ▶ **Open4U** – in 2021, we relaunched our internship program in a fully remote version. Through this program, students had the chance to discover the business environment and become familiar with certain areas of activity and specific requests of the industrial environment. In 2021, we had 38 top class students onboarded in a fully virtual journey, each of them having a dedicated mentor along the two month internship.

- ▶ **Organization of Tech Talks Webinars** – online events for students and young graduates to strengthen employer branding and increase engagement with the next generation of professionals.

### Training programs

In 2021, we delivered a total of 110,887 hours of training to our employees, of which 25,175 hours of online training session.

### Diversity and Inclusion initiatives

In 2021, at OMV Petrom level, we continued and developed our journey of Diversity, Equity and Inclusion. We tackled a more practical and specific approach towards inclusion addressing the needs of a more diverse population in our organization. Some of our initiatives:

- ▶ **Diversity & Inclusion Week 2021** – a joint project of OMV Petrom, OMV and Borealis – online interactive events aimed at raising awareness on diversity, equity, and inclusion topics.
- ▶ **Diversity and Inclusion Talks** – series of events where we invite professionals with extensive experience in the field to share best practice examples.
- ▶ **#TheManyFacetsOfYou** – campaign to celebrate diversity and promote inclusion. Our colleagues were encouraged to nominate someone they admire and to create a short blog to express their cherish and admiration. The scope of this exercise was to celebrate the multi facets of each other.
- ▶ **"Inspired by Diversity" Podcast** – podcast series featuring executive management from OMV, OMV Petrom and Borealis discussing on the status quo and finding common ways to shape the future of OMV Group.

Moreover, in 2021, we had a Diversity, Equity, and Inclusion Quick poll in order to check the pulse and perception of our organization on the topic. The Net Promoter Score is 8.50 as a main result of the quick poll.

Additional information will be available in the 2021 Sustainability Report.

## Business environment

### Global macroeconomic and sector trends

In 2021, the world economy bounced back strongly from the deep health crisis induced recession it experienced a year before. But, despite advancing by an estimated 5.9%, global growth was uneven across multiple dimensions. The extent and particular features of individual countries' economic, social and health policies influenced their recovery paths. As a consequence, some economies, such as the US, Russia or Brazil advanced faster, with output at the end of 2021 being above pre-pandemic levels. In others, such as Japan, the UK or the Euro area, the strength of the revival was weaker, partly due to their initial deeper economic contraction. Expanding business activities increased the world trade volume for goods and services by an estimated 9.3%, making up for the drop incurred in 2020. A common reaction to policy responses across the globe was a sharp increase in indebtedness levels of companies, households and governments alike. Global debt reached the equivalent of 3.5 times world's GDP, supported by the low interest rate environment. The debt to GDP ratio in the world's major economies rose, on average, to over 70%, attaining the highest level of the past 150 years, except for the spike during the second world war period. The US economy advanced by an estimated 5.6% yoy, spurred by the USD 1.9 trillion pandemic relief package, the equivalent of 9% of GDP, adopted in early 2021. The build-up in companies' inventories and the increase in personal consumption were the main drivers of growth. The Chinese economy rose by an estimated 8.1%, despite the accelerated slowdown in real estate activity and its related industries. These sectors, which together account for 30% of China's GDP, were hit hard when Evergrande, the world's largest property developer, defaulted on its debts towards the end of the year.

The European Union (EU) economy grew by an estimated 5.2% aided by the rebound in private consumption. Over the summer, the loosening of mobility restrictions helped some services sectors which were particularly hit during the pandemic, especially hospitality, tourism and leisure. However, the reimposition of partial restrictions across most of the EU countries towards the end of the year slowed down economic growth in the last quarter. Industry and construction sectors were increasingly impacted by deepening global supply shortages across a range of materials and components – including semiconductors – the persistence of supply chain bottlenecks, and the rapid increase in inflation. Germany's economy underperformed, growing by an estimated 2.7%, impacted by a weaker recovery in household spending and lower manufacturing activity, especially in the car industry. The Spanish economy

advanced by 4.9%, below expectations, hampered by faltering household consumption, rising energy prices, lower activity in tourism and a slower recovery in the car manufacturing industry. Output recovery was stronger in France and Italy, which grew by 6.7% and 6.2% respectively, supported by stronger household spending.

**Consumer prices** in advanced economies grew at an annual rate of 3.1%, one of the most elevated levels observed over the last two decades. In Eurozone, annual inflation rose to 5% in December, the highest level on record. The upswing in inflation primarily reflected higher energy and commodity prices. A combination of factors had pushed up European gas wholesale prices to record levels starting autumn. Low levels of gas in storage across the EU, falling natural gas import volumes from Russia, a resurgence in demand and a drop in EU-bounded LNG imports as well as nuclear outages in France disrupted EU's natural gas supplies and increased gas prices by 800% compared to 2020. Elevated natural gas prices pushed up electricity prices. The dynamics of power generation together with CO<sub>2</sub> emissions compliance requirements led to a 250% increase in the price of EU allowances, which went up from around EUR 35/ton at the beginning of January to almost EUR 88/ton at the end of December. As demand continued to outpace restricted supply across several sectors, the knock-on effect of energy prices amplified the upward pressure on other prices, such as those of durable goods and services.

Total **global oil demand** rose by 5.4 mn bbl/d in 2021 to 96.2 mn bbl/d as mobility restrictions eased. Demand in OECD countries grew by around 6%, slightly lower than the 6.4% rate observed in non-OECD countries. In Europe, oil demand recovered more slowly, advancing by 4.3%, as restrictions were imposed on and off over the year 2021. China's oil demand, which accounted for 15% of the world's total, went up by 7.4%. **Global oil supply** was catching up only gradually with demand, as OPEC+ group, which includes Russia, agreed in July to increase production, each month, by 0.4 mn bbl/d in the process of unwinding record supply cuts enacted in 2020. As a consequence of this policy, with global demand recovering fast and some OPEC+ members failing to increase output up to agreed quotas, global oil inventories were subjected to a constant draw, at an average rate of 1.8 mn bbl/d, throughout the year.

In 2021, **oil prices** continued their upward trend, which started in the middle of the previous year. The failure of oil supply to keep pace with rising demand led to a continuous reduction in spare capacity which, in turn, maintained a

higher pressure on oil prices. In real terms, however, oil prices in 2021 were still 11% lower than their last ten years average. Brent oil price rose in 2021 by 69% yoy to USD 70.9/bbl, while the average Urals price was USD 69.2/bbl, 67% higher compared to 2020. The average spread between Brent and Urals oil prices increased more than six times vs. 2020 to reach USD 1.68/bbl.

#### Romania – macroeconomic and sector trends

Romania's economy advanced by 5.9% in 2021, thus managing to surpass its pre-pandemic level. Despite recording a robust recovery in the first two quarters, the strength of economic expansion weakened gradually towards the end of the year, partly impacted by the reintroduction of healthcare related restrictions across the EU countries. **Domestic consumption**, spurred by household spending, was the main engine of growth. The increased level of household savings, largely accumulated during the time when mobility restrictions were enforced, helped the recovery of private consumption. The volume of turnover in **retail trade** rose by 10.1% in 2021, supported by a significant increase in spending on non-food products and fuels. However, in real terms, **households' purchasing power** was gradually eroded over the course of the year as net wages advanced at a slower rate compared to that of inflation.

Following the large drop incurred in 2020, the industry sector activity bounced back in 2021 although it continued to be hampered by supply chain bottlenecks and delays caused by transport and logistic issues. **Industry output** grew by 5%, thus remaining below its pre-pandemic level.

**Construction sector** had a more subdued performance compared to 2020 and its contribution to economic growth was marginally negative. The volume of activity for non-residential construction and capital repairs dropped significantly towards the end of the year. **Agriculture** had a particular good year, with output in the sector growing by 13.5%.

The labor market maintained its resilience, partially helped by the extension of government wage support schemes, which paid a percentage of gross wages for technical unemployment. The **unemployment rate** dropped rapidly at the beginning of the year and stabilized around 5.2% thereafter, with a marginal increase in December. However, the number of vacancy rates displayed an upward trend during the year, highlighting a potential labor skills mismatch, triggered by the ongoing structural changes in the economy.

Macroeconomic imbalances showed a mixed picture. Fiscal consolidation efforts were somewhat successful as, at the

end of 2021, **budget deficit** turned out to be -6.8% of GDP, marginally lower than the assumed target of -7.1% of GDP. Higher than initially envisaged economic growth led to increased **budgetary revenues**, with a third of this increase being attributed to VAT revenues. However, the cost of borrowing continued to rise, as both inflation and political uncertainty pushed up government bond yields. **Public debt to GDP ratio** edged up, getting closer to 50%. **Current account deficit** widened further in 2021, to -7.1% of GDP. The deterioration in the external balance was facilitated by increased domestic consumption, higher energy and commodity prices and a limited capacity of domestic production to meet demand.

One of the notable consequences of higher demand and constrained supply, after years of global monetary expansion, was the rise in inflation. Romania's **annual consumer price index (CPI)** jumped to 8.2% at the end of December – its highest level in more than a decade – propelled by higher energy prices. However, the increase in **producer price index (PPI)**, which is a measure of the companies' input costs pressure, was much more profound, at 33%. Following suit of several other countries across the EU, authorities stepped in and proposed temporary caps to power and natural gas prices for certain categories of consumers. Given the very large gap between CPI and PPI, this measure is likely to delay the necessary adjustments in the demand-supply balance of the energy markets.

After reaching a historical minimum of 1.25% in January 2021, the National Bank of Romania's **benchmark interest rate** rose to 1.75% towards the end of the year in response to higher inflation. The RON/EUR **exchange rate** remained relatively stable in 2021, with the RON depreciating by 1.7% against the EUR. Against the USD, the RON was more volatile. Although the annual average RON/USD fell by 2%, over the second part of the year, the RON embarked on a path of a gradual depreciation against the USD.

In 2021, the authorities finalized the details of the **National Recovery and Resilience Plan** and agreed on its final version with the European Commission. The plan pinpoints a series of reforms and investments aimed to be implemented by the end of 2026, which are mainly directed at supporting the green transition and digital transformation. Conditional of meeting the agreed milestones and targets, Romania could receive some EUR 29 bn during this period, in a financial package comprising both loans and grants.

Romania's total **energy supply** increased by 6.8%, in line with the higher volume of economic activity. Oil supply was down by 2.9% to 9.9 mn toe, but imported oil products went up by 19% to 3.9 mn toe. Domestic natural gas supply rose

by 12% to 10 mn toe, with virtually the whole increase of 1.1 mn toe coming from imports.

## Business segments' operational performance

### Upstream

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

	2021	2020	Δ (%)
Segment sales (RON mn) <sup>2</sup>	9,227	6,162	50
Operating Result (RON mn) <sup>3</sup>	1,660	(985)	n.m.
Special items (RON mn)	(154)	(992)	84
Clean Operating Result (RON mn)	1,814	7	n.m.
Operating Result before depreciation and amortization, impairments and write-ups (RON mn)	4,217	2,305	83
Capital expenditures (RON mn) <sup>4</sup>	2,025	2,382	(15)
Exploration expenditures (RON mn)	194	195	(0)
Total Group hydrocarbon production (mn boe)	47.21	52.98	(11)
thereof in Romania (mn boe)	46.42	50.51	(8)
Sales volumes (mn boe)	44.96	50.33	(11)
Production costs (USD/boe)	12.73	10.88	17
Proved reserves as of December 31 (mn boe)	419	473	(11)
thereof in Romania (mn boe)	419	451	(7)

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

<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

Our foremost sustainability priority is the safety of our employees and partners, in line with our vision "Zero harm-NO losses". Regrettably, two of our contractors', respectively sub-contractors' employees lost their lives while they were involved in our operations. This is totally unacceptable and we will continue to work together with our contractors in learning from incidents in order to avoid reoccurrence of such tragic events. As part of our action plans, we will support our contractors in improving their HSSE performance for a mature and sustainable HSSE culture. The Lost Time Injury Rate (LTIR) (employees and contractors combined) has worsened to 0.36, compared with the best result ever of 0.20 achieved in 2020, while the Total Recordable Injury Rate (TRIR) stood at 0.65 compared with 0.47 in 2020.

In 2021, in order to measure the progress achieved in the development of our safety culture, an assessment was conducted by DuPont Sustainable Solutions in Asset Moldova, using a similar methodology as in 2018. The results showed a very good evolution in the last three years, a big step forward from the "dependent" phase to

"independent" phase on the Bradley Safety Culture curve. Improvement opportunities were discussed during a management workshop and a new action plan was developed to be implemented in the next three years. In 2022, the findings and actions will be analyzed by the management team and further development directions will be established at each operational area level.

We continued to focus on improving the carbon efficiency of our operations, achieving a 3.4% decrease of the carbon<sup>viii</sup> intensity in 2021 vs. 2020. Main measures focused on 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 2030 the latest.

#### Upstream operations in Romania

##### Exploration

In March 2021, OMV Petrom finalized the processing of the large 3D seismic survey acquired in 2020 in the exploration block VIII-Urziceni East together with Hunt Oil Company of

<sup>viii</sup> Details will be available in OMV Petrom's Sustainability Report for 2021.

Romania S.R.L. as operator. Interpretation of the 3D seismic was finalized, the prospects portfolio was updated and potential drilling candidates were selected for 2022.

In October, the exploration well 20 Iepuresti was spud in the IX-Bucuresti exploration block and the testing is ongoing on Sarmatian formation.

Merging and reprocessing of several 3D seismic surveys across the XII-Pitesti, X-Craiova and XIII-Targu Jiu exploration blocks have been completed and data interpretation has started.

The deep exploration wells 4700 Barbatesti and 6600 Baicoi have been plugged and abandoned as they proved non-commercial.

In August, time reprocessing of the Istria seismic merge project was finished: 3D Istria (680 km<sup>2</sup>), 3D Vega (400 km<sup>2</sup>), 3D Sirius (522 km<sup>2</sup>), 3D Cobalcescu (290 km<sup>2</sup>). The depth reprocessing was completed in January 2022.

## Production

At the end of 2021, OMV Petrom operated 152 commercial oil and gas fields in Romania (end-2020: 193). On December 1, 2021, OMV Petrom closed the transfer of 40 marginal onshore oil and gas fields to Dacian Petroleum.

In Romania, OMV Petrom's hydrocarbon production declined by 8.1% compared to 2020 level, to 46.42 mn boe (or by 7.8% to 127.2 kboe/d). Crude oil and NGL production declined by 4.3% to 22.37 mn bbl (or 3.11 mn t), while natural gas production declined by 11.4% to 24.05 mn boe (or 3.68 bcm).

The main factors that impacted production in Romania in 2021 were natural decline and maintenance activities, partly counterbalanced by the contribution of workovers and new wells. Excluding the effect of portfolio optimization, daily average production in Romania declined by 7.6% yoy.

Offshore production accounted for 15.74% from OMV Petrom's total hydrocarbon production in Romania (5.03% of the crude oil and NGL production and 25.71% 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 10.2% of total gas production (2020: 9.5%).

## Key projects

### ► Neptun Deep

In 2021, Romanian state-controlled natural gas company Romgaz made a binding offer to acquire ExxonMobil's 50% stake in the Neptun Deep license offshore Romania. OMV Petrom will become operator of the project once Romgaz completes the takeover, expected for 2022. Preparations for the ownership takeover are under way. OMV Petrom maintains a high interest in seeing the Black Sea resources developed. However, the final investment decision depends on a range of factors including a stable and competitive fiscal framework. Changes to the Romanian offshore law are expected to be effected during 2022.

### ► Drilling and workover

In 2021, we drilled a total number of 36 new wells and sidetracks, the drilling activities reaching a peak with 6 active rigs in February and April in the OMV Petrom operated licenses.

2021 was an active year in terms of routine operational activities in Upstream, with an average of 95 crews available performing 695 workover jobs and around 4,500 well interventions. All these led to an MTBF of 851 days, an improvement from 810 days 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**:

### ► Totea Deep compressors project

Totea Deep compressors project was initiated in 2017, having the scope to maximize the recovery factor, through the installation of three new electrically driven compressors and their integration in the systems of Park 4540 Totea in Asset Oltenia.

As the main civil works were finalized at end of 2020, in 2021 the site activities were focused on mechanical, electrical and instrumentation works. Mechanical completion was achieved in May and integration of the compressors in the existing systems was successfully finalized in the

shutdown window from August, therefore obtaining the ready for start-up certificate. Compressors' stable run and performance test was completed in October.

#### ► Gas to Power (G2P) and Combined Heat & Power (CHP)

In 2021, three new Gas to Power (G2P) units, with an installed capacity of 4.5 MW, were added to the previous 39 units already built. These are G2P Paraieni in Asset Oltenia, G2P Oarja in Asset Muntenia Vest, and G2P Baicoi Vest in Asset Muntenia.

Our combined G2P and CHP installed capacity stands at 102 MW, covering around 65% of Upstream segment's electricity needs.

#### ► FRD Suplac Phase 2 and Suplac key infrastructure projects

Main activities for FRD Suplac Phase 2 as well as for the two projects from the key infrastructure "Drinking Water Treatment Plant" and "Revamp Tank Farm Suplac" were fully completed in 2021. "Regenerative Thermal Oxidizer", was commissioned and will be put in operations in 2022.

#### ► 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 2021, various scenarios were studied in order to optimize the costs.

### Offshore Portfolio

#### ► Rejuvenation Program

In 2021, we achieved significant progress in three portfolio projects as follows: the planned shutdown of Asset Petromar, the installation of a new crane and the first execution phase of the helideck upgrade project.

The first ever total planned shutdown of Asset Petromar for rejuvenation and maintenance works was performed between September 27 and October 3. Around 40,000 hours of offshore and onshore activities were performed without any safety incidents on the central production platform, its six satellite platforms, and in the Midia terminal.

The second project was the program for crane installation offshore. With the commissioning of the offshore crane installed on the satellite platform PFS6 in June, Asset Petromar successfully completed the first crane cluster project, dedicated to the replacement of the cranes used to transfer personnel on three offshore platforms. By the end of

the project, over 87,000 work hours were recorded without any HSSE incident.

With four new cranes installed in recent years, Petromar supports its plan to reduce risks and fully conforms to the EU-wide Offshore Safety Directive.

The recent update of standards concerning offshore helidecks led to an upgrade of the helideck on the central production platform. The execution of the modernization works were performed in June-July.

All offshore works had a reduced impact on the availability of the helideck. The work involved the replacement of the metal sheets that were partially corroded, the upgrade of aeronautic markings in accordance to current standards and regulations, the helideck area treatment with superior quality paint, the modernization of lighting systems and of the landing safety net, and the implementation of an automated bird repellent system. Similar works will be conducted in 2022 on three additional helidecks.

### Partnerships

Since July 2010, in order to optimize the portfolio of existing assets, OMV Petrom has entered into several 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 21 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, 26 workover jobs were performed by the contractors within the PECs in 2021. In addition, one new well was drilled and completed by Expert Petroleum Solution in PEC Țicleni. The **total production of the PECs** in 2021 amounted to 6.0 kboe/d (2020: 6.5 kboe/d), of which PEC Țicleni 3.4 kboe/d, PEC Turnu 0.9 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. OMV Petrom has started to assess different options applicable for those nine fields pertaining to PEC Timiș.

In Q1/21, Expert Petroleum Solution notified OMV Petrom about their interest in an early extension of the PEC Țicleni in order to justify continuation of investments that have longer pay-back time. The extension conditions by five years until 2030 were negotiated and a new addendum was approved by OMV Petrom Executive Board in December 2021, with signing taking place in January 2022.

In the **Joint Operations Agreement with Hunt Oil** (50% OMV Petrom, 50% Hunt Oil operator), we recorded a production of 1.0 kboe/d (OMV Petrom share) in 2021. The well 2 Padina Nord, put into production in December 2020, was the only well producing in 2021 and has entered a steep decline starting July.

The **total production recorded by PECs and Joint Operations Agreements** in 2021 was 7.0 kboe/d (2020: 8.0 kboe/d), representing 5.4% of OMV Petrom's total domestic production.

### International Upstream operations

#### ► Kazakhstan

In Kazakhstan, OMV Petrom held development and production licenses for the TOC fields (Tasbulat, Aktas, Turkmenoi) and for the Komsomolskoe field. In May 2021, OMV Petrom closed the divestment of the subsidiaries in Kazakhstan and of the corresponding production assets to Magnetic Oil Limited.

OMV Petrom recorded a total production of 0.80 mn boe (2.2 kboe/d) in Kazakhstan in 2021 (2020: 2.5 mn boe or 6.8 kboe/d).

#### ► Bulgaria

In the offshore exploration block Han-Asparuh (42.86% OMV Petrom, 57.14% TotalEnergies as operator), the 3D seismic acquired in 2020 (5,614 km<sup>2</sup>) was processed and interpreted, leading to the identification of a prospect to be drilled in 2022-2023.

#### ► Georgia

In the offshore exploration Block II from Georgia, the Production Sharing Contract was signed in March 2021 and works were initiated to prepare for the acquisition of 3D seismic data in 2022.

### Production in 2021

	Oil and NGL		Natural gas		Total
	mn t	mn bbl	bcm	mn boe	mn boe
Romania	3.11	22.37	3.68	24.05	<b>46.42</b>
Kazakhstan	0.09	0.68	0.02	0.12	<b>0.80</b>
<b>OMV Petrom Group</b>	<b>3.20</b>	<b>23.05</b>	<b>3.70</b>	<b>24.17</b>	<b>47.21</b>

### Proved reserves as of December 31, 2021

	Oil and NGL		Natural gas		Total
	mn t	mn bbl	bcm	mn boe	mn boe
Romania	258.8	258.8	865.5	160.3	<b>419.1</b>
Kazakhstan	-	-	-	-	-
<b>OMV Petrom Group</b>	<b>258.8</b>	<b>258.8</b>	<b>865.5</b>	<b>160.3</b>	<b>419.1</b>

### Reserve Replacement Rate (RRR)

As of December 31, 2021, the **total proved oil and gas reserves** in the OMV Petrom's portfolio amounted to 419 mn boe (2020: 473 mn boe) reflecting the divestment of assets from Kazakhstan, while the **proved and probable oil and gas reserves** amounted to 680 mn boe.

For the single year 2021, the RRR was negative at (14)% (2020: 41%), reflecting the divestment of assets in Kazakhstan and the transfer of 40 onshore marginal fields in Romania, while in Romania it decreased to 31% (2020: 48%). The three-year average RRR decreased to 27% in

2021 (2020: 44%), and in Romania it decreased to 40% (2020: 43%).

## Downstream

### Downstream Oil

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

	2021	2020	Δ (%)
Segment sales (RON mn) <sup>2</sup>	19,264	13,657	41
Operating Result (RON mn) <sup>3</sup>	2,663	1,060	151
Special items (RON mn)	142	49	191
CCS effects (RON mn)	481	(442)	n.m.
Clean CCS Operating Result (RON mn) <sup>4</sup>	2,041	1,454	40
Operating Result before depreciation and amortization, impairments and write-ups (RON mn)	3,433	1,810	90
Capital expenditure (RON mn)	766	793	(3)
Refinery utilization rate (%)	97	92	6
Refining input (kt)	4,737	4,499	5
Crude oil processed (kt) <sup>5</sup>	4,315	4,097	5
Total refined product sales (kt)	5,339	4,993	7
thereof: Gasoline (kt)	1,283	1,291	(1)
Diesel (kt)	2,789	2,518	11
Kerosene/Jet fuel (kt)	164	126	30
Fuel Oils & Bitumen (kt)	315	329	(4)
thereof: Retail sales volumes (kt) <sup>6</sup>	2,944	2,619	12

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

<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 (e.g. "Leading Safety" program, "Open reporting", "Golden Rules & Supplementary Life Saving Rules", as well as the "Motivational management reward, recognition and consequence management" program).

The TRIR (employees and contractors combined) was 0.46 and the LTIR (employees and contractors combined) was 0.23, both figures being better than the international benchmarks. In 2021, additional measures were implemented to improve energy efficiency within Petrobrazi refinery, leading to a decrease of the carbon<sup>ix</sup> intensity index by 4.3% versus 2020.

#### Operational performance

The operational performance and energy efficiency of the Petrobrazi refinery remained at competitive levels. In 2021, the OMV Petrom indicator refining margin was USD 5.47/bbl, higher by USD 2.59/bbl than in 2020, as a result of better product spreads, mainly for gasoline.

The refinery utilization rate was higher yoy, 97% in 2021 compared to 92% in 2020, reflecting improved demand and the 2020 planned refinery shutdown.

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

<sup>ix</sup> Details will be available in OMV Petrom's Sustainability Report for 2021.

**Production (kt)**

	2021	2020	Δ (%)
Gasoline	1,286	1,240	4
Diesel	2,079	1,911	9
Kerosene/Jet fuel	86	77	12
Fuel Oils	241	254	(5)
LPG total	170	157	8
Petroleum coke	276	274	1
Other <sup>1</sup>	274	264	4
<b>Total</b>	<b>4,412</b>	<b>4,177</b>	<b>6</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 5,339 kt in 2021, representing a 7% increase compared to 2020.

Group **retail** sales volumes were 12% higher than in 2020, reaching 2,944 kt, indicating the return to a normal level of activity. In Romania, retail sales reached 2,517 kt in 2021, 12% higher than in 2020. Therefore, in 2021, the average throughput per station in Romania increased to 5.48 mn liters (2020: 4.88 mn liters), driving the overall increase of this indicator at the Group level to 4.57 mn liters (2020: 4.03 mn liters).

Retail market share<sup>x</sup> in the operating region slightly decreased to 31%, versus the previous year, given the network optimization and increased competition.

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

In the Petrom-branded filling stations, we 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 accessibility of our offer.

We have continued to develop the strategic partnerships in the non-fuel area. The rollout of MyAuchan stores in upgraded Petrom filling stations reached in total 128 units, of which 103 stores opened in 2021. Furthermore, we continued the partnership with Subway in Romania and with

KFC in Serbia. At end of 2021, we had operational 12 and 3 stores, respectively.

As part of our Strategy 2030 actions aiming at developing a low carbon mobility infrastructure in this part of Europe, we continued the partnerships in this area. As a result, at the end of 2021, 34 electric chargers were installed, out of which 21 were operational (from a total plan of more than 500 points of alternative fuels targeted by 2030).

In 2021, the total **non-fuel margin** at Group level increased by 29% compared to the previous year, from a low base in 2020 (impacted by mobility restrictions).

In 2021, the **non-retail** business continued to be a strong contributor to the overall OMV Petrom result. The commercial sales business reached the highest level in the past 10 years, capitalizing on market opportunities, improved processes and effective cost management. Jet fuel sales continued the positive trend started at the end of 2020, although not reaching yet the 2019 reference level, being still affected by partial mobility restrictions across Europe. A strong focus remained on digitalization, operational excellence and customer centricity, in line with company strategy.

Overall, Group non-retail sales increased by 1% compared to 2020, reflecting the partial recovery of the aviation business and market opportunities in commercial, as well as the lower exports. In Romania, non-retail sales were 976 kt, 8% over the previous year's level.

OMV Petrom fuel **prices** have a dynamic evolution reflecting international fuel quotations, namely Platts Mediterranean, as well as market competition. In addition, prices are

<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);

influenced by the fiscal policy and the exchange rate. As the volatility of quotations is extremely high and an immediate reflection in product prices would make the market unstable, OMV Petrom fuel prices only reflect the trends, not the highs or lows.

The **filling stations network** operated within the OMV Petrom Group at the end of 2021 comprised a total of 787 filling stations, less than in 2020 by 6 filling stations, as effect of network optimization.

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

	2021	2020	Δ
Romania	561	560	1
Moldova	69	77	(8)
Bulgaria	94	93	1
Serbia	63	63	—
<b>Total</b>	<b>787</b>	<b>793</b>	<b>(6)</b>

## Downstream Gas

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

	2021	2020	Δ (%)
Segment sales (RON mn) <sup>2</sup>	6,880	6,069	13
Operating Result (RON mn) <sup>3</sup>	(253)	1,257	n.m.
Special items (RON mn)	(1,034)	539	n.m.
Clean Operating Result (RON mn)	781	718	9
Operating Result before depreciation and amortization, impairments and write-ups (RON mn)	(122)	849	n.m.
Capital expenditure (RON mn)	12	9	40
Gas sales volumes (TWh)	48.9	57.0	(14)
thereof to third parties (TWh)	38.4	47.7	(20)
thereof to the regulated market (TWh)	-	7.0	n.m.
Brazi net electrical output (TWh)	4.8	4.1	15

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

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

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

### HSSE is our first priority

While the COVID pandemic continued to pose numerous challenges for all our operations throughout the year, in Downstream Gas we managed to stay committed to always keeping HSSE as our first priority in any activity we undertake. We successfully maintained flexibility in terms of processes and procedures, adapting quickly to the changes in the risk factors, in order to ensure that our employees and contractors remain healthy and safe. As such, we once again recorded a year with no work-related incidents or lost-time injuries.

In 2021, we recorded a carbon<sup>1</sup> intensity level lower by 1.1% as compared to the 2020 level, in the context of higher net electrical output.

### Operational performance

2021 was a tumultuous year, where in addition to the health crisis and the measures it required, there was also an unprecedented volatility and unpredictability in the energy markets, with numerous price records being set almost every month.

According to our estimates, national **gas** consumption slightly increased by around 2% in 2021 as compared to 2020, with the increase mostly attributable to a cold and long winter at the beginning of the year. Regarding the supply sources, the national consumption was covered by a

decreasing Romanian gas production and a higher share of gas imports, as compared to the previous year. In regards to prices, they reached record levels and, particularly in the second half of the year, they increased very steeply. This evolution was in line with other European markets and, likewise, in Romania, the Government stepped in to restrain the impact of these price increases mainly on the residential consumers. These measures did not have a material effect on OMV Petrom's activity or financial performance in 2021 due to the low weight of this type of consumers in the portfolio.

In 2021, the most impactful regulation for our business continued to be the Gas Release Program (GRP), that introduced, starting June 2020, the obligation for gas producers to offer a defined percentage of their production as different products (monthly, quarterly, seasonal, annual), with starting prices referenced to market prices in the past periods for similar products. This committed a large proportion of our gas volumes available for sale and posed a high challenge to our portfolio optimization initiatives. Nevertheless, we have complied with the offering obligation in every month of 2021.

In 2021, on the Romanian centralized markets, the traded gas volumes covering a variety of standard products for

<sup>1</sup> Details will be available in OMV Petrom's Sustainability Report for 2021

medium and long term totaled 40.8 TWh (with delivery until end-2022), at an average price of RON 203/MWh<sup>1</sup>.

In 2021, our gas sales performance followed our strategy to focus on profitable volumes. OMV Petrom's total gas sales volumes decreased by 14% yoy to 48.94 TWh, from the historically highest sales volume recorded in 2020. As a reminder, 2020 was impacted by regulatory driven sales obligations, no longer applicable in 2021. Sales volume decline occurred also in the context of a lower supply in 2021, given the decreasing equity production and also the prevailing challenging market prices for the gas acquisitions from third parties. In 2021, our efforts to preserve our customer portfolio proved successful despite the challenging market environment, with record-high gas prices and a generally volatile gas market, an environment that placed large pressure on any market participant, especially on the customers' side, to maintain the competitiveness of their business.

Following the full gas market liberalization in July 2020, OMV Petrom had no further obligation to supply the regulated gas market in 2021 (vs. the 7 TWh obligation in H1/20, at a fixed price of RON 68/MWh).

In 2021, OMV Petrom concluded significant sale transactions on the centralized markets, with a total gas volume contracted for deliveries until end-2022 of 13 TWh at an average price in line with market prices. Some of these transactions were completed within the GRP framework, pursuant to our offering obligation.

As always, we have focused on collaborating with our end-customers to manage the significant market challenges, particularly in terms of the evolution of energy prices. We have continued to play our role not only as an energy supplier, but also as a reliable business partner, willing to find innovative, mutually-beneficial solutions.

In order to further strengthen our end-user portfolio and expand it beyond our traditional markets, in 2021 we launched the Utilio digital platform, intended to offer our products to the small and medium enterprises, with an end-goal of building a sustainable foothold in this market segment, where we had not been traditionally active before. While it is still early to measure its success, the competitiveness of the offers, the simplicity of the contracting process and its many features should make the

platform an attractive one for its intended audience and help us reach this large market segment.

At the end of 2021, OMV Petrom had 1.3 TWh of gas in storage, following a successful management of the extraction and injection cycles. Even if the minimum stock obligation is no longer in force, OMV Petrom is always committed to ensure security of supply for its entire customer portfolio, therefore optimizing the stored gas volumes will always remain one of our main objectives.

On the **power** market, as per currently available data from the grid operator, national electricity consumption increased by 5% to 61 TWh in 2021 (2020: 58 TWh). The national electricity production also increased by 6%, to 59 TWh (2020: 55 TWh). This higher power generation in 2021 was covered by significantly increased production from hydro sources in the context of good national hydraulicity, higher production from coal and slightly higher production from natural gas. Market coupling continued to play an important role in 2021 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 reached a record high level since its start of operations, averaging RON 547/MWh in 2021 (increased by approximately 187% vs. 2020). The increase was even more dramatic in the second half of the year, with Q4/21 prices over four times higher yoy, the trend and scale not being isolated, but reflecting the European market trends.

2021 was yet another excellent year for our power business. Brazi power plant exceeded the 2020 record of net electrical output, generating 4.8 TWh in 2021 and covering a record high 8% of the national power generation mix (2020: 7%). Furthermore, looking at Q4/21 alone, the power plant covered 11% of the power production in Romania, a very significant contribution and the highest quarterly contribution since the start of operations. With the annual planned shutdown completed in April 2021, on time, on budget and with no HSSE incidents, the power plant had a technical availability of 95% (similar to 2020).

The power plant's optimization mechanism covers both forward and spot sales and thus improves its role within our equity gas value chain, while forward contracts are used as

<sup>1</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.

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 proved again in 2021, in the context of challenging supply and consumption impacted by the overall market environment and pandemic crisis.

In 2021, the Brazi power plant did not have any legal obligation to supply the regulated power market (2020: 0.18 TWh at the price of RON 223/MWh).

OMV Petrom has also made a first step into a new type of activity in 2021, when it completed the first LNG (liquefied natural gas) delivery in Romania. This implied coordinating and managing for the first time a complex process in which several partner companies were involved, while being compliant with all safety measures. Thus, two transports of two tankers each fed the first LNG operated ship built in Romania. While not significant in volume terms, this transaction proved the potential for the LNG development in Romania, as LNG has multiple applications in power production, transportation, and industry, and can be a contributor to Romania's emissions reduction target.

# Report of the governing bodies

Report of the Supervisory Board

Directors' report

Corporate governance report

Corporate governance statement

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 and its effects, 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 minimizing COVID-19 spread and impact, protecting the health of employees and customers, while maintaining full operations and activities.

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, shareholders, as well as other stakeholders, may access relevant information about the Company and the Supervisory Board by:

- ▶ reading the other sections of the Company's Annual Report;
- ▶ visiting the Company's website, [www.omvpetrom.com](http://www.omvpetrom.com), where various information about the Company and relevant contact details are available;
- ▶ 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 appointed by the Ordinary GMS (except for the interim members who may be appointed by the Supervisory Board until the next GMS), in accordance with the provisions of Company Law and the Articles of Association. The Supervisory Board's current mandate started on April 28, 2021 and expires on April 28, 2025. 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 2021, the Supervisory Board consisted of the following members: 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. In the context of the expiry of the mandate of the Supervisory Board, the Ordinary GMS held on April 27, 2021 resolved upon the appointment of the new membership of the Supervisory Board for a four year mandate, consisting of the following: Rainer Seele (President), Johann Pleininger (Deputy President), Elena Skvortsova, Daniel Turnheim, Wolfram Krenn, Jochen Weise, Niculae Havrileț, Răzvan-Eugen Nicolescu and Marius Ștefan.

Later on, following Wolfram Krenn's waiver of his mandate as member of the Supervisory Board, Martijn van Koten was appointed as interim member of the Supervisory Board, as of August 1, 2021 and until the next GMS. Also, the Supervisory Board approved the appointment of Alfred Stern as interim member and President of the Supervisory Board as of September 1, 2021 and until the next GMS following Rainer Seele's waiver of his mandate.

Therefore, at the end of 2021, as well as at the date of this report, the Supervisory Board had the following composition: Alfred Stern (President), Johann Pleininger (Deputy President), Elena Skvortsova, Daniel Turnheim, Martijn van Koten, Jochen Weise, Niculae Havrileț, Răzvan-Eugen Nicolescu and Marius Ștefan.

### 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, 2021.

Following this evaluation, it resulted that the following Supervisory Board members met during 2021, 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, Răzvan-Eugen Nicolescu and Marius Ștefan.

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

### Supervisory Board works

In 2021, 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 and its effects, the Supervisory Board members met only one time in person, while the other three meetings were 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 four other occasions. All members of the Supervisory Board attended the vast majority of the meetings of the Supervisory Board in 2021. The average participation rate was over 97%. Only in one occasion, a Supervisory Board member was represented by another Supervisory Board member in a 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 and activities, presenting an overview on the status of the operations and on the measures taken both at company and divisional levels to counteract the effects of the pandemic, including 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 Executive Board focused on topics such as HSSE, energy sector overview, macroeconomic prospects as well as on climate change related risks and opportunities.

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 2021, Supervisory Board's main focus during 2021 was, amongst others, the overall long-term development of the Company. For this purpose, before formally approving it,

the Supervisory Board was involved, within its statutory limits, in the preparation of the Strategy 2030, with the objective of securing sustainable long-term economic growth and of generating high cash flows for financing the Company's investments and attractive shareholders return, while supporting also the goals set forth by the Paris Climate Change Agreement.

During 2021, the Supervisory Board was also updated on the status of the Neptun Deep project, as well as on the project related to the share capital increase of OMV Petrom by incorporating the value of plots of land received in administration and/or use from the Romanian State and for which OMV Petrom obtained / is in the process to obtain the land ownership certificates.

#### **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 2021 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 2021, the Audit Committee was composed of four members, namely Jochen Weise (President – independent), Reinhard Florey (Deputy President), Nicolae Havrileț (member) and Radu-Spiridon Cojocaru (member – independent). Following the approval by the Ordinary GMS of the new mandate of the Supervisory Board, a new composition of the Audit Committee was approved, made of five members with effect starting on April

28, 2021 and until the expiration of the current mandate of the Supervisory Board, respectively April 28, 2025, as follows: Jochen Weise (President – independent), Daniel Turnheim (Deputy President), Nicolae Havrileț (member), Răzvan-Eugen Nicolescu (member – independent) and Marius Ștefan (member – independent).

Therefore, since there were no other changes as regards the members of the Audit Committee, at the end of 2021, including at the date of this report, the committee has the following composition: Jochen Weise (President – independent), Daniel Turnheim (Deputy President), Nicolae Havrileț (member), Răzvan-Eugen Nicolescu (member – independent) and Marius Ștefan (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 2021, the Audit Committee members met three times, all meetings being 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 2020. Moreover, the Audit Committee recommended to the Supervisory Board and to the Ordinary GMS the appointment of Ernst & Young Assurance Services SRL (EY) as independent financial auditor for 2021 financial year, following the public tendering process performed in 2019-2020, in accordance with the EU Regulation no. 537/2014, as detailed in the following section.

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 2021.

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.

#### **Independent financial auditor**

The maximum duration of statutory consecutive audits performed by the same audit firm is ten years and may be extended up to maximum twenty years, where a public tendering process for statutory audit is conducted in accordance with art. 16 of EU Regulation no. 537/2014. Given that EY's engagements as statutory financial auditor of OMV Petrom Group reached 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 individual and consolidated financial statements of OMV Petrom was performed in 2019-2020.

Following the audit tender, EY was appointed as OMV Petrom Group's independent auditor for 2021 financial year.

Based on the recommendations of the Audit Committee, a proposal for the reappointment of EY as OMV Petrom Group's independent financial auditor for 2022 financial year is submitted for approval to the next Ordinary GMS to be held on April 27, 2022.

#### **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, 2021 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 2021 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 will issue an unqualified audit opinion.

The financial statements for the year ended December 31, 2021, as well as the Executive Board proposal to distribute dividends of RON 0.0341 per share (corresponding to a payout ratio of 67% based on the Group's 2021 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, 2021 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, 2022 in line with the Audit Committee's recommendation and is further submitted for approval in the Ordinary GMS to be held on April 27, 2022.

Furthermore, following the review by the Audit Committee, the Supervisory Board has approved the reports on payments to governments for the year 2021, prepared in accordance with Chapter 8 of the Annex 1 of the 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 2021 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 2021 despite the difficulties caused by the effects of the volatile regulatory and pricing environment and of the COVID-19 pandemic.

To this end, the Supervisory Board members would like to express their appreciation to the Executive Board members, employees and trade union representatives for their commitment and hard work during 2021. They successfully met the challenges of an unpredictable and demanding year 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 and heightened energy price volatility, 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.

Bucharest, March 17, 2022

Alfred Stern  
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)

	2021	2020	Δ (%)
Sales revenues	26,011	19,717	32
Operating Result	3,709	1,467	153
Net income	2,864	1,291	122
Net income attributable to stockholders	2,864	1,291	122
Cash flow from operating activities	6,997	5,556	26
Capital expenditures	2,821	3,206	(12)
Employees at the end of period	7,973	10,761	(26)

In 2021, the Group consolidated **sales revenues** reached RON 26,011 mn, by 32% higher compared to 2020, mainly supported by higher sales of petroleum products in terms of both prices and volumes, partially offset by lower sales volumes of natural gas and electricity.

The Group's **Operating Result** for the year 2021 increased by 153% to RON 3,709 mn (2020: RON 1,467 mn), driven mainly by the strong oil price environment, as well as the higher energy demand and excellent utilization of our Petrobrazi refinery and Brazi power plant. Clean CCS Operating Result amounted to RON 4,346 mn, 90% above

RON 2,287 mn in 2020, and is stated after eliminating net special charges of RON (1,058) mn and inventory holding gains of RON 421 mn.

The **net result was a profit** of RON 2,864 mn in 2021 (2020: RON 1,291 mn).

The **return on average capital employed<sup>xiii</sup> (ROACE)** reached a value of 10.8% (2020: 4.1%), while Clean CCS ROACE increased to 12.7% at the end of 2021, from 6.4% at the end of 2020.

<sup>xiii</sup> For definitions of these ratios please refer to section "Abbreviations and definitions".

**Cash flow from operating activities** amounted to RON 6,997 mn, higher than RON 5,556 mn in 2020, as a result of better market conditions, partly offset by the evolution of changes in net working capital.

**Capital expenditure** amounted to RON 2,821 mn in 2021 and was 12% lower than in 2020.

Due to the significant cash balance at December 31, 2021, OMV Petrom Group reported a **net cash position including leases** of RON 9,391 mn at the end of 2021, higher than RON 6,486 mn as at December 31, 2020.

## Operating Result

Operating Result (RON mn)	2021	2020	Δ (%)
Upstream <sup>1</sup>	1,660	(985)	n.m.
Downstream	2,410	2,317	4
thereof Downstream Oil	2,663	1,060	151
thereof Downstream Gas	(253)	1,257	n.m.
Corporate and Other	(99)	(105)	6
Consolidation: elimination of intercompany profits	(263)	240	n.m.
<b>OMV Petrom Group Operating Result</b>	<b>3,709</b>	<b>1,467</b>	<b>153</b>

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

In **Upstream, Operating Result** increased to RON 1,660 mn (2020: RON (985) mn), driven mainly by higher prices, which were partly offset by higher Upstream taxation, lower sales volumes, unfavorable FX (weaker USD vs. RON), as well as higher production costs. **Exploration expenses** declined to RON 203 mn in 2021 (2020: RON 814 mn), triggered by a high base effect from write-off of exploration wells in 2020 as a result of revision of the mid- and long-term price assumptions. Group **production costs** in USD increased by 17% to USD 12.73/boe, mainly due to lower production available for sale, increased expenses and unfavorable FX (weaker USD vs. RON). In Romania, production cost in USD increased by 17% to USD 12.74/boe, while in RON terms it increased by 15% to RON 52.99/boe. Upstream Operating Result in 2021 also reflected special charges of RON (154) mn, mainly reflecting the recycling of currency translation differences related to the sale of Kazakhstan subsidiaries and personnel restructuring charges.

In **Downstream Oil, Operating Result** increased to RON 2,663 mn in 2021 (2020: RON 1,060 mn) following economic recovery reflected in positive quotations development, improved demand and good refining performance. In 2021, the OMV Petrom indicator **refining margin** increased by USD 2.59/bbl to USD 5.47/bbl, as a result of better spreads, mainly for gasoline. The **refinery utilization rate** increased to 97% (2020: 92%) reflecting improved demand and 2020 planned refinery shutdown. Downstream Oil Operating Result reflected also **special**

**items** of RON 142 mn (2020: RON 49 mn), and **CCS inventory holding gains** of RON 481 mn (2020: losses of RON (442) mn).

In **Downstream Gas, Operating Result** decreased to a loss of RON (253) mn (2020: profit of RON 1,257 mn). Downstream Gas Operating Result included **net special charges** of RON (1,034) mn, largely consisting of unrealized losses from power forward contracts. In 2020, it included net special income of RON 539 mn, mainly from the full reversal of impairments for the 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. As an additional note, 2020 power business result included one-off revenues representing the compensation for higher costs incurred in 2019 for the power regulated sales. 2021 was an exceptionally good year for our power business, the very strong result generated by increasing selling prices and higher revenues from balancing and ancillary services markets effectively compensated the negative impact from the power forward sales contracts concluded in previous periods. The gas business had a good performance in 2021, despite the lower sales volumes and increasing acquisition costs, on very good results from gas portfolio optimization and short term balancing activities, and improved margins on gas extracted from storage. In 2021, we also benefited from the reversal of a bad debt provision.

**Operating Result** in the **Corporate and Other** segment was broadly flat at RON (99) mn (2020: RON (105) mn).

### Special items and CCS effect

Special items and CCS effect (RON mn)	2021	2020	Δ (%)
<b>Clean CCS Operating Result</b>	<b>4,346</b>	<b>2,287</b>	<b>90</b>
<b>Special items</b>	<b>(1,058)</b>	<b>(425)</b>	<b>(149)</b>
thereof personnel and restructuring	(73)	(110)	34
thereof unscheduled depreciation / write-ups	(83)	(331)	75
thereof other	(902)	16	n.m.
CCS effect: Inventory holding gains/(losses)	421	(396)	n.m.
<b>Operating Result Group</b>	<b>3,709</b>	<b>1,467</b>	<b>153</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 accounting 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)	2021	2020	Δ (%)
Sales revenues	26,011	19,717	32
Other operating income	185	429	(57)
Net income from equity-accounted investments	5	4	17
<b>Total revenues and other income</b>	<b>26,202</b>	<b>20,150</b>	<b>30</b>
Purchases (net of inventory variation)	(10,572)	(8,210)	(29)
Production and operating expenses	(4,101)	(3,489)	(18)
Production and similar taxes	(1,988)	(873)	(128)
Depreciation, amortization and impairment charges	(3,399)	(2,996)	(13)
Selling, distribution and administrative expenses	(1,977)	(1,952)	(1)
Exploration expenses	(203)	(814)	75
Other operating expenses	(253)	(348)	28
<b>Operating result</b>	<b>3,709</b>	<b>1,467</b>	<b>153</b>
Net financial result	(311)	12	n.m.
Taxes on income	(534)	(188)	(184)
<b>Net income</b>	<b>2,864</b>	<b>1,291</b>	<b>122</b>
Less net income attributable to non-controlling interests	0.08	0.05	60
<b>Net income attributable to stockholders of the parent</b>	<b>2,864</b>	<b>1,291</b>	<b>122</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 2020, consolidated sales revenues

increased by 32% to RON 26,011 mn, mainly supported by higher sales of petroleum products in terms of both prices and volumes, partially offset by lower sales volumes of natural gas and electricity. After the elimination of intra-group transactions of RON 9,083 mn, the contribution of the **Upstream** segment representing sales to third parties was RON 145 mn or about 1% of the Group's total sales revenues (2020: RON 310 mn). Sales to external customers in the **Downstream Oil** segment amounted to RON 19,216 mn or 74% of total consolidated sales (2020: RON 13,565 mn). After elimination of intra-group sales, the **Downstream Gas** segment's contribution was RON 6,616 mn or approximately 25% of total sales (2020: RON 5,812 mn).

Sales to external customers are split by geographical areas on the basis of where the risks and benefits are transferred to the customer. Romania and Central and Eastern Europe represent the Group's most important **geographical markets**. Sales in Romania were in an amount of RON 21,650 mn or 83% of the Group's total sales (2020: RON 17,067 mn, 87% of total sales) and sales in the rest of Central and Eastern Europe were RON 4,332 mn or 17% of Group sales (2020: RON 2,627 mn).

**Other operating income** decreased to RON 185 mn RON (2020: RON 429 mn) mainly triggered by a high base effect due to sale in 2020 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 10,572 mn and increased by 29% yoy, mainly due to higher volumes of crude oil processed sustained by increased refinery utilization rate (97% vs. 92% in 2020) and higher volumes and average unit costs for petroleum products acquired from third parties, both evolutions being

sustained by market recovery. In addition, higher average unit cost for acquisition of natural gas and electricity, partially offset by lower volumes acquired, had a contribution to the total increase of purchases (net of inventory variation).

**Production and operating expenses** increased to RON 4,101 mn (2020: RON 3,489 mn) mainly due to higher expenses with third party services, partially offset by decrease of personnel costs, both as a result of outsourcing of production related activities, and due to higher expenses for CO<sub>2</sub> certificates, following increased emissions and higher prices.

**Exploration expenses** decreased to RON 203 mn (2020: RON 814 mn), triggered by a high base effect from write-off of exploration wells in 2020, as a result of revision of the mid- and long-term price assumptions.

**Other operating expenses** decreased to RON 253 mn, compared to the 2020 value of RON 348 mn, mainly triggered by a high base effect due to costs of CO<sub>2</sub> certificates sold in Downstream Oil in 2020.

**The net financial result** was a loss of RON (311) mn in 2021 compared to a gain of RON 12 mn in 2020, mainly due to higher interest expenses in relation to the discounting of receivables and to the positive effect in 2020 from the recognition of an interest income from clearance of the arbitration proceedings initiated by OMV Aktiengesellschaft at the International Chamber of Commerce Paris against the Romanian Ministry of Environment.

**Taxes on income** were in the amount of RON 534 mn (2020: RON 188 mn), driven by the higher profit generated during 2021.

**Capital expenditure (CAPEX)**

OMV Petrom Group Capital expenditure (RON mn)	2021	2020	Δ (%)
Upstream	2,025	2,382	(15)
Downstream	778	802	(3)
thereof Downstream Oil	766	793	(3)
thereof Downstream Gas	12	9	40
Corporate and Others	18	23	(21)
<b>Total capital expenditure</b>	<b>2,821</b>	<b>3,206</b>	<b>(12)</b>
+/- Other adjustments <sup>1</sup>	102	547	(81)
<b>Additions according to statement of non-current assets (intangible and tangible assets)</b>	<b>2,924</b>	<b>3,753</b>	<b>(22)</b>
+/- Non-cash changes <sup>2</sup>	(77)	(308)	75
<b>Cash outflow due to investments in intangible and tangible assets</b>	<b>2,846</b>	<b>3,445</b>	<b>(17)</b>
+ Net inflow in relation to sale/investment in subsidiaries, non-current assets and other financial assets	(593)	(282)	(110)
<b>Net cash used for investing activities</b>	<b>2,253</b>	<b>3,163</b>	<b>(29)</b>

<sup>1</sup> Capital expenditure is adjusted for capitalized decommissioning costs, exploration wells that have not found proved reserves and other items 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 12% to RON 2,821 mn (2020: RON 3,206 mn).

Investments in **Upstream** declined by 15% to RON 2,025 mn and represented 72% of total Group CAPEX for 2021. The decline was mainly due to reduced number of wells and workovers and lower activities for field redevelopment projects, partially counterbalanced by higher progress for facilities projects.

**Exploration expenditures** were broadly flat at RON 194 mn, as lower costs related to abandoned exploration deep wells were counterbalanced by higher 3D seismic acquisition activities.

**Downstream** investments amounted to RON 778 mn (2020: RON 802 mn), thereof RON 766 mn in Downstream Oil (2020: RON 793 mn) and RON 12 mn in Downstream Gas (2020: RON 9 mn). In Downstream Oil, most investments were routed to Refining for ongoing projects in the tank farm area and coke drums replacement in Petrobrazil, and in Retail for the construction of filling stations. We also have a high base effect from 2020, in relation to investments for securing long-term logistic access through railway lines at Petrobrazil refinery.

## Statement of financial position

Summarized consolidated statement of financial position (RON mn)	2021	2020	%
<b>Assets</b>			
Non-current assets	32,655	34,505	(5)
Intangible assets and property, plant and equipment	28,754	30,614	(6)
Investments in associated companies	34	32	9
Other non-current assets	2,329	2,326	0
Deferred tax assets	1,538	1,534	0
Current assets (incl. Assets held for sale)	17,315	13,115	32
Inventories	2,293	2,103	9
Trade receivables	2,641	1,258	110
Assets held for sale	15	861	(98)
Other current assets	12,366	8,894	39
<b>Total assets</b>	<b>49,970</b>	<b>47,621</b>	<b>5</b>
<b>Equity and liabilities</b>			
Total equity	34,214	33,071	3
Non-current liabilities	7,563	8,844	(14)
Provisions for pensions and similar obligations	170	214	(20)
Interest-bearing debts	16	109	(85)
Provisions for decommissioning and restoration obligations	6,052	7,272	(17)
Provisions and other liabilities	1,325	1,249	6
Deferred tax liabilities	-	-	n.a.
Current liabilities (incl. Liabilities associated with assets held for sale)	8,193	5,706	44
Trade payables	3,266	2,859	14
Interest-bearing debts	255	175	46
Liabilities associated with assets held for sale	-	413	(100)
Provisions and other liabilities	4,672	2,259	107
<b>Total equity and liabilities</b>	<b>49,970</b>	<b>47,621</b>	<b>5</b>

Compared to December 31, 2020, **total assets** increased by RON 2,349 mn, to RON 49,970 mn. Additions to intangible assets and property, plant and equipment amounted to RON 2,924 mn (2020: RON 3,753 mn).

Compared to December 31, 2020, **non-current assets** decreased by RON 1,850 mn, to RON 32,655 mn, mainly due to decrease in property, plant and equipment, as depreciation, net impairments and decrease in decommissioning asset following reassessment exceeded the additions during the period.

The net increase in **current assets (including assets held for sale)** was triggered mainly by higher cash and cash equivalents, higher trade receivables following higher sales, and by higher financial assets, mainly in relation to derivatives, partly offset by lower assets held for sale

following the divestment of Kazakhstan subsidiaries and the transfer of 40 marginal onshore oil and gas fields.

The increase in **total equity** by RON 1,143 mn was mainly as a result of the net profit generated in the current period, that was partially offset by the dividend distribution for the financial year 2020. The Group's equity ratio was 68% as of December 31, 2021, slightly lower than the level of 69% as of December 31, 2020.

As at December 31, 2021, **total liabilities** increased by RON 1,206 mn compared with December 31, 2020. The increase in **current liabilities (including liabilities associated with assets held for sale)** by RON 2,487 mn was largely due to higher financial liabilities, mainly in relation to derivatives, higher Upstream specific tax liabilities and higher trade payables following higher acquisitions. This increase was partially offset by the decrease in **non-current**

**liabilities** by RON 1,281 mn mainly due to the reassessment of provisions for decommissioning and restoration obligations.

OMV Petrom Group reached a **net cash position including leases** of RON 9,391 mn as at December 31, 2021 higher than RON 6,486 mn as at December 31, 2020.

## Cash flow

Summarized consolidated cash-flow statement (RON mn)	2021	2020
<b>Sources of funds</b>	<b>7,430</b>	<b>4,592</b>
Cash flow from operating activities	6,997	5,556
Cash flow from investing activities	(2,253)	(3,163)
<b>Free cash flow</b>	<b>4,744</b>	<b>2,393</b>
Cash flow from financing activities	(1,914)	(1,921)
Effect of exchange rates on cash and cash equivalents	11	(4)
<b>Net increase in cash and cash equivalents</b>	<b>2,841</b>	<b>468</b>
Cash and cash equivalents at beginning of the year	7,481	7,014
<b>Cash and cash equivalents at end of the year</b>	<b>10,323</b>	<b>7,481</b>
Thereof cash disclosed within assets held for sale	-	31
Cash and cash equivalents at end of the year, presented in the consolidated statement of financial position	10,323	7,451
<b>Free cash flow after dividends</b>	<b>3,003</b>	<b>652</b>

In 2021, the inflow of funds from profit before tax, adjusted for non-cash items such as depreciation and impairments, net change of provisions and other non-monetary adjustments, as well as net interest received and income tax paid was RON 7,430 mn (2020: RON 4,592 mn). Changes in **net working capital** generated a cash outflow of RON 433 mn (2020: inflow of RON 964 mn). **Cash flow from operating activities** increased by RON 1,441 mn compared to 2020, reaching RON 6,997 mn, as a result of better market conditions, partly offset by the evolution of changes in net working capital.

In 2021, the **cash flow from investing activities** resulted in an outflow of RON 2,253 mn (2020: RON 3,163 mn) mainly related to payments for investments in intangible assets and property, plant and equipment, largely in the Upstream

segment, partly offset by net proceeds from the sale of subsidiaries and businesses, mainly disposal of Kazakhstan subsidiaries in amount of RON 462 mn.

**Free cash flow** (defined as cash flow from operating activities less cash flow from investing activities) showed an inflow of funds of RON 4,744 mn (2020: RON 2,393 mn).

**Cash flow from financing activities** reflected an outflow of funds amounting to RON 1,914 mn (2020: RON 1,921 mn), mainly arising from the payment of dividends of RON 1,741 mn.

**Free cash flow after dividends** resulted in a cash inflow of RON 3,003 mn (2020: RON 652 mn).

### Risk management

OMV Petrom is exposed to a variety of risks specific to the oil and gas industry, including market and financial risks, operational risks and strategic risks. The company's risk management processes focus on identification, assessment, and evaluation of such risks and their impact on the company's financial stability and profitability. The objective of these activities is to actively manage risks in the context of the OMV Petrom's risk appetite in order to achieve its long-term strategic goals.

Risk management and insurance function is centrally coordinated at the corporate level, which 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 responsible for the areas where the risks were identified, who are best suited to analyze, monitor and mitigate the respective risks.

OMV Petrom is closely monitoring the development of the consequences of the COVID-19 pandemic and regularly evaluating the impact on the company's cash flow and liquidity position.

In the context of the conflict in Ukraine, OMV Petrom monitors the geopolitical developments on a continuous basis and regularly reviews the potential impact on our business activities. The credit risk portfolio associated with counterparties and banks located in Russia and / or potentially targeted by international sanctions (or restrictions on international money transfers) is under close review. Disruptions in Russian commodity flows to Europe could result in further increases in European energy prices and accelerate the risk of cost inflation.

### Enterprise Wide 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, risk reporting and risk review through continuous monitoring of changes to the risk profile).

In the EWRM process common risk terminology and language are used across OMV Petrom to facilitate effective risk communication, whereby Environmental, Social and Governance (ESG) risk category is in our focus area in the OMV Petrom risk taxonomy.

**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 using an 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.

### 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. Strategic risks are managed through specialised task forces: Performance, People, Technology and Innovation, New Energy Solutions and Stakeholders' Management.

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. 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. This approach ensures greater awareness and focus on risks that might affect the Company's objectives.

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 his/her competency area. 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. 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 our financial results, including those that may materialize within the current annual reporting cycle;
- ▶ Medium-term risks – risks that may materially impact our financial results within 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 within a ten-year timeframe.

In terms of **tools and techniques**, OMV Petrom follows the best international risk management practices and uses stochastic quantitative models to measure the potential loss associated with the Company's risk portfolio 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, volatility and potential cash flow impact.

As regards **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.

To assess **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 deposits and committed credit lines are maintained.

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 financial activities. The volatility of EURIBOR and ROBOR may trigger less or additional cash flow. However, the risk and the mentioned volatility in our cash flow 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.

**Pandemic risk**

The global outbreak of the COVID-19 pandemic continues to have a major impact on the global economic development.

Increases in COVID-19 cases around the world following the emergence of new virus variants combined with disruptions in supply chains and high price inflation could lead to delays in the expected demand recovery. OMV Petrom is responding to the situation with targeted measures to safeguard the Company’s economic stability and the secure supply of energy. The health and wellbeing of every employee is the top priority.

**Strategic risks**

In order to identify strategic risks which might have potential long-term effects on the company’s objectives, OMV Petrom continuously monitors its internal and external environment.

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 (climate change, oil and gas market demand and pricing volatility, 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.



Strategic risk	Details
<b>Climate change</b>	In OMV Petrom, we approach the climate change in a holistic view and integrate all climate change related activities from various areas, in order to address the risks and enhance the opportunities.
<b>Global oil &amp; gas demand</b>	Due to major factors affecting the oil and gas markets, the prices may have large fluctuations. The recent climate change regulations trigger an unprecedented high pressure, affecting all market fundamentals.
<b>Reserve replacement</b>	OMV Petrom mature fields and declining production triggers tailor-made measures to address Reserve Replacement Rate (RRR). This supports our view of increasing the share of natural gas in our hydrocarbon production, as we see natural gas as a key enabler for a successful energy transition in Romania.
<b>Technology &amp; Innovation</b>	The fast pace of technology development, the current trends within energy industry and the lack of innovation capabilities could lead to a significant loss of growth or efficiency opportunities.
<b>Cyber threats</b>	Due to a major cyber event, the OMV Petrom IT infrastructure may experience a massive disruption that can lead to the loss of access or the destruction of critical information.
<b>Political &amp; Regulatory</b>	Major political factors and emerging regulatory requirements may impact OMV Petrom's ability to achieve its strategic objectives.
<b>Human capital</b>	As a major company, OMV Petrom considers human capital as an important asset and has a strategy to manage the human resources risks.

### Climate Change Risk Management

Climate-change-related risks and opportunities are integrated into OMV Petrom's Enterprise-Wide Risk Management (EWRM) process aimed at identifying, assessing and managing business-related risks. The short- and medium-term risks are analysed for their impact on the Company's three-year financial plan. The effects of long-term risks are evaluated based on a qualitative analysis, taking into account a wider range of uncertainty. Climate-related risk and opportunities have already been reflected into our business plans and objectives in the medium term. The most substantive climate-related changes in the energy industry are expected to arise on a longer time scale – in particular with regard to revenues. Therefore, management pays close attention to climate change-related long-term risks and opportunities and takes these into account in strategic decision-making. The climate change risks are assessed using the standardized methodology of the EWRM process.

This process is based on the EWRM Standard supplemented with a set of principles defining the ESG/sustainability risk and opportunity requirements as part of the OMV Petrom risk management framework, supported by the rights, responsibilities and expectations of specific risk stakeholders.

Being the first Romanian company to support the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), OMV Petrom considers and

addresses climate change-related risks according to TCFD recommendations, as well as the double materiality perspective proposed by the EU Non-Financial Reporting Directive.

In 2021, the progress on alignment to TCFD recommendations is summarized below:

- **Governance** – ongoing New Energy Solutions, Environment task forces through which EB members quarterly monitor and manage climate change risk and opportunities
- **Strategy** – risks and opportunities identified, future focus on impact evaluation and company resilience in the light of the recently published OMV Petrom's Strategy 2030, with the sustainability framework embedded;
- **Climate Change Risk** – continued risk management process (scenario analysis); future focus: pilot for climate risks of new investment projects;
- **Metrics and Targets** – ongoing enhanced disclosure, new climate change KPIs disclosed in OMV Petrom's Strategy 2030.

OMV Petrom Executive Board members discuss quarterly the current and upcoming environmental, climate, and energy-related policies and regulations; related developments in the fuels, gas and power 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).

**Internal control**

The Group has implemented an internal control system which includes activities aiming at preventing or detecting

undesirable events and risks, such as fraud, errors, damages, non-compliance, unauthorized transactions and misstatements in the financial reporting.

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

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

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

Element	Description
<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

### Outlook 2022

All the below is based on the assumption of no significant lockdowns by year end and does not consider the potential impact of the regional geopolitical tensions.

For the full year 2022, OMV Petrom expects **the average Brent oil price** to be around USD 75/bb<sup>xiv</sup>.

We expect the **refining margins** to be around USD 6/bbl. Also we estimate that the **demand for oil products** will be on a slightly upward trend; we expect demand for **power** to be similar to 2021 level, while demand for **gas** to be lower than in 2021.

At **OMV Petrom Group** level, we expect to generate a **positive free cash flow after base dividends**. **CAPEX** is currently anticipated to be above RON 4 bn, depending on the investment climate. We are also committed to offer **attractive returns to shareholders** with 5%-10% p.a. base dividend growth.

With regards to our **strategic pillar Optimize traditional business**, in the **Exploration and Production** segment, we aim to contain the production decline in Romania at around 7% yoy, excluding portfolio optimization. We will continue to focus on the most profitable barrels, through selective fields divestments in 2022. We plan investments of around RON 2.6 bn mainly for drilling around 60 new wells and sidetracks and for performing around 600 workovers. In the **Refining and Marketing** segment, within the partnership with Auchan, we plan to open more than 100 new MyAuchan stores in the upgraded Petrom-branded filling stations by year-end. Our refinery utilization rate is estimated to be above 95%, while the total refined product sales are

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 2021. This report will be published together with the consolidated financial statements of OMV Petrom for the year ended December 31, 2021.

### Subsequent events

Please refer to Note 38 in the Consolidated Financial Statements.

forecasted to be broadly similar to the previous year level of 5.3 mn tons. In the **Gas and Power** segment, both the total gas sales volumes and the net electrical output are estimated to be lower yoy, in case of gas mainly on lower supply, while for the net electrical output, in the context of a 2-month planned shutdown of the Brazi power plant in H1/22, of which one month for half of the capacity.

With regards to our **strategic pillar Grow regional gas**, for our flagship project **Neptun Deep**, due to the absence of amendments to the Offshore Law, we expect the FID to be delayed to 2023. With regards to **Han Asparuh offshore Bulgaria**, we plan to spud one exploration well in 2022-2023 and continue prospectivity and evaluation, while in the case of **Georgia Offshore Exploration Block II** we envisage seismic acquisition in H2/22.

With regards to our **strategic pillar Transition to low and zero carbon**, we target to reduce the **carbon intensity** of our operations by 30% until 2030 vs. 2019. Our plans related to **alternative mobility** are to install approximately 100 recharging stations by year-end. We also plan to make progress in developing a **renewable power portfolio** as well as initiate the first steps towards producing **second generation bioethanol**.

### 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 2021 will be published by May 31, 2022.

<sup>xiv</sup> The budget is based on the assumption of 65 USD/bbl for Brent oil price for 2022.

## 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 environment, 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 Company's website ([www.omvpetrom.com](http://www.omvpetrom.com)), 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 of the Bucharest Stock Exchange of 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 is 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 relevant 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), including commercially sensitive information, for which disclosure 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 and set their remuneration;
- ▶ 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;
- ▶ to approve the remuneration policy for the Executive Board and Supervisory Board members and to give a consultative vote on the remuneration report for the Executive Board and Supervisory Board members.

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 Company's activity, 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 depositary regarding the exercise of any voting rights notified by the Company to the GDR depositary subject to certain conditions;
- ▶ receive from the GDR depositary copies received by the GDR depositary of notices provided by the Company to shareholders or other material information.

## Supervisory Board

### Supervisory Board members

The Supervisory Board consists of nine members appointed by the Ordinary GMS (except for the interim members who may be appointed by the Supervisory Board until the next GMS), in accordance with the provisions of Company Law and the Articles of Association. The Supervisory Board's current mandate started on April 28, 2021 and runs until April 28, 2025.

Herein below is the composition of the Supervisory Board at the end of 2021, as well as at the date of this report:

#### Alfred Stern (1965) – President

Effective September 2021, Alfred Stern is the new Chairman of the Executive Board and the CEO of OMV. Between April and August 2021, he was OMV Executive Board Member for Chemicals & Materials. Alfred Stern has been the CEO of Borealis since 2018, and since 2012 a member of the Borealis Executive Board for Polyolefins and Innovation & Technology. Alfred Stern joined Borealis as Senior Vice President Innovation & Technology in 2008, coming from E.I. DuPont de Nemours, where he held several leadership positions in the areas of research and development, sales and marketing, and quality and business management in Switzerland, Germany and the United States. In his last assignment, he was Global Business Manager of a business unit in Engineering Polymers in the United States. He holds a PhD in material science and a Master's Degree in polymer engineering and science, both from the University of Leoben in Austria. Alfred Stern has been awarded, among others, the H.F. Mark Medal, the DuPont Award for a new product patent and a Prize of Honour from the Austrian Ministry of Science and Research. Alfred Stern is an Austrian citizen, he is married and has two children.

Alfred Stern was appointed as interim member and President of OMV Petrom Supervisory Board as of September 1, 2021 and until the next GMS.

#### Johann Pleininger (1962) – Deputy President

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

was 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) division. As of July 1, 2017, Johann 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.

#### Elena Skvortsova (1970)

Elena Skvortsova studied at the Moscow Linguistics University in Russia and at the Thunderbird School of International Management in the USA. She began her professional career at Bayer in 1994 as an international management trainee; her latest position at Bayer was Associate Director of Bayer Corporation (Healthcare). Starting 2001, Elena Skvortsova held various leadership positions at Baxter International for 13 years in the United States, Central and Eastern Europe, and the United Kingdom. In 2015, she moved to Linde AG and was responsible for the management of the Middle East and Eastern Europe region. From March 2019 to April 2020, following the merger of Linde and Praxair, she headed Praxair Canada Inc., a 100% subsidiary of Linde plc. Elena Skvortsova is a member of the OMV Board of Directors since June 15, 2020 and is responsible for the Marketing & Trading divisions.

Elena Skvortsova was appointed as member of OMV Petrom Supervisory Board as of 28 April 2021.

#### 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.

#### Martijn van Koten (1970)

Martijn van Koten was born in the Netherlands, where he studied Chemical Engineering at Delft University of Technology. He began his professional career at Shell in

1994, taking on several management and technical positions in the refining and downstream business in the UK, Germany and the Netherlands. Starting 2004, Martijn van Koten assumed Manufacturing Site General Manager positions at Shell in Sweden and Singapore, before becoming Vice President Manufacturing East & Middle East in Singapore in 2009 and Vice President Supply & Distribution Americas in the United States in 2013. In 2013, Martijn van Koten joined Borealis as Executive Board Member Operations, HSE & PTS in Austria. From 2018 to June 2021, he was Borealis Executive Board Member Base Chemicals & Operations in Austria. Martijn van Koten is a member of the OMV Board of Directors since July 1, 2021 and responsible for the division Refining. He is married and has two daughters.

Martijn van Koten was appointed as interim member of OMV Petrom Supervisory Board as of August 1, 2021 and until the next GMS.

#### **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 was 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. Between December 2019 and September 2021, Niculae Havrileț was state secretary within the Ministry of Economy. Starting September 2021, he is the General Manager of Distribuție Energie Electrică Romania S.A. 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.

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

Jochen Weise graduated in Law from the Universities of Bochum and Bonn, Germany, where he also received his PhD. He holds 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.

#### **Răzvan-Eugen Nicolescu (1978) – independent<sup>xvi</sup>**

Răzvan-Eugen Nicolescu graduated from the Power Engineering Faculty of Politehnica University of Bucharest. He also completed various economic studies, being a graduate of the MBA program of Solvay Brussels School – Economics and Management, as well as of an executive course on corporate governance at Harvard Business School. Răzvan-Eugen Nicolescu is a recognized specialist in the energy field, with a solid experience in both private and public sector. He was Director for Regulatory and Public Affairs of OMV Petrom S.A. between 2008-2014, Chairman and Vice-chairman of the European Union Agency for the Cooperation of Energy Regulators (ACER) between 2010-2016, as well as Minister of Energy in Romania in 2014, without being a member of any political party. Between February 2015 - April 2021, Răzvan-Eugen Nicolescu has been Partner – Energy Resources and Sustainability Industry Leader of Deloitte Central Europe. Since May 2021, he has been member of the Governing Board of the EIT – European Institute for Innovation and Technology, being appointed by the European Commission.

Răzvan-Eugen Nicolescu was appointed as member of OMV Petrom Supervisory Board as of 28 April 2021.

#### **Marius Ștefan (1976) – independent<sup>xvii</sup>**

Marius Ștefan graduated the Bucharest Academy of Economic Studies (ASE), the Faculty of International Business and Economics (REI), and has a master in Management at the National University of Political Studies and Public Administration (SNSPA), a master in Business Administration (MBA) in Strategy at Robert H. Smith School of Business at the University of Maryland. He attended various executive education programs at Harvard Business School, Stanford GSB, London Business School, INSEAD and IMD. Marius Ștefan is the co-founder and the CEO of

<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.

<sup>xvi</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.

<sup>xvii</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.

Autonom, the largest mobility network in Romania and he has been involved in the development of various local businesses. Marius Ștefan has over 25 years of experience in various leading positions and has a large expertise in business and financial strategy. He is the Chairman of the Board of Directors of Endeavor Romania, the world's leading community of high-impact entrepreneurs, Vice Chairman of the Board of Romanian Business Leaders, and serves as a board member of various companies.

Marius Ștefan was appointed as member of OMV Petrom Supervisory Board as of 28 April 2021.

### 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 2021, 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 currently composed of five members appointed by decision of the Supervisory Board from among its members.

During 2021, there were some changes in the membership of the Audit Committee.

At the beginning of 2021, the Audit Committee was made of four members, namely: Jochen Weise (President – independent), Reinhard Florey (Deputy President), Niculae Havrileț (member) and Radu-Spiridon Cojocaru (member – independent).

Following the approval by the Ordinary GMS of the new mandate of the Supervisory Board, a new composition of the Audit Committee, made of five members, was also approved with effect starting on April 28, 2021 and until the expiration of the current mandate of the Supervisory Board, respectively April 28, 2025, as follows: Jochen Weise (President – independent), Daniel Turnheim (Deputy President), Niculae Havrileț (member), Răzvan Eugen Nicolescu (member – independent) and Marius Ștefan (member – independent). There were no other changes as regards the members of the Audit Committee during 2021.

Therefore, at the end of 2021 as well as at the date of this report, the Audit Committee has the same composition as detailed above.

The Audit Committee's members have adequate qualifications relevant to the functions and responsibilities of the Audit Committee. In addition, three members have also financial, auditing or 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 regards 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 2021 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 2021, there were some changes in the membership of the Presidential and Nomination Committee.

At the beginning of 2021, the Presidential and Nomination Committee was composed of: Rainer Seele (President), Johann Pleininger (Deputy President), Joseph Bernhard Mark Mobius (member – independent) and Niculae Havrileț (member).

Following the approval by the Ordinary GMS of the new mandate of the Supervisory Board, a new composition of the Presidential and Nomination Committee was approved, with effect starting on April 28, 2021 and until the expiration of the current mandate of the Supervisory Board, respectively April 28, 2025, as follows: Rainer Seele (President), Johann Pleininger (Deputy President), Răzvan-Eugen Nicolescu (member – independent) and Marius Ștefan (member – independent). Moreover, following Rainer Seele's waiver of his mandate as member of the Supervisory Board and of the Presidential and Nomination Committee, Alfred Stern was appointed member and President of the Presidential and Nomination Committee as of September 1, 2021.

Therefore, at the end of 2021 as well as at the date of this report, following these changes in the Supervisory Board membership, the Presidential and Nomination Committee has the following composition: Alfred Stern (President), Johann Pleininger (Deputy President), Răzvan-Eugen Nicolescu (member – independent) and Marius Ștefan (member – independent).

### 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;
- ▶ is in charge with the preparation of the remuneration policy and the remuneration report for the Executive Board and Supervisory Board members;
- ▶ deals with 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.

During 2021, there were no changes in the membership of the Executive Board.

Therefore, at the end of 2021, as well as at the date of this report<sup>xviii</sup>, 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 was the Regional President of BP Canada based in Calgary and from 2014 to 2018, she was BP Regional President of the Asia Pacific region, based 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 Exploration & Production

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 Refining & Marketing

After graduating the Faculty of Management from the University of Economic Studies in Braşov, Radu Căprău

<sup>xviii</sup> Starting with January 1, 2022, OMV Petrom's business segments were renamed as follows: Upstream to Exploration & Production; Downstream Oil to Refining & Marketing, and Downstream Gas to Gas & Power.

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 Gas & Power**

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 and its operations, 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 2021, the Executive Board met 49 times, either in person or by video conference and passed resolutions by circulation on 4 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 programs. Some of the initiatives focused on diversity, equity and inclusion implemented in 2021 are: SHEnergy – Group level program supporting female leadership skills, Diversity & Inclusion Week 2021, #TheManyFacetsOfYou - blog articles campaign to celebrate Diversity and promote Inclusion, Diversity and Inclusion Talks, "Inspired by Diversity" Podcast, and also a diversity, equity and inclusion Quick Poll that offered our employees the opportunity to express their views regarding these topics.

At the end of 2021 and at the date of this report, there were three women in OMV Petrom's management bodies: Christina Verchere, the CEO and President of the Executive Board, Alina Gabriela Popa, CFO and member of the Executive Board and Elena Skvortsova, member of the Supervisory Board of OMV Petrom. Moreover, at the end of 2021, 29% of the first line directors reporting to the Executive Board were women, whilst the percentage of women at management levels was 30.6%. The proportion of women in the OMV Petrom Group as a whole was 27% 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 to market conditions, transparency and internal fairness towards employees and other stakeholders within and outside the 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.

Starting 2021 financial year, OMV Petrom has a Remuneration Policy for the Executive Board and Supervisory Board in place. The Remuneration Policy was drafted by the Presidential and Nomination Committee, in close cooperation with independent consultants and was approved by the Supervisory Board and ultimately by 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 according to performance. The current Remuneration Policy is available on the corporate website [www.omvpetrom.com](http://www.omvpetrom.com) in the About Us section, Corporate Governance sub-section.

On 27 April 2022, a revised Remuneration Policy for the 2022 financial year and onwards will be submitted for Ordinary GMS approval.

### Remuneration of the Executive Board and Supervisory Board members

The implementation of the Remuneration Policy and the performance outcomes for the financial year 2021 are presented in the 2021 Remuneration Report for OMV Petrom's Executive Board and Supervisory Board, that will be submitted for consultative vote in the Ordinary GMS on 27 April 2022.

### Remuneration of other staff

The employees of OMV Petrom are employed under local Romanian terms and conditions and the salaries are set in RON currency. 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

part time 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, car compensation fee, commuting and transportation support and (iv) short-term (discretionary and / or annual) performance-related bonuses. The measures / key performance indicators used are based on financial and non-financial metrics.

All amounts are subject to a 20% indemnity allowance, applicable to all working agreements, as a temporary measure, in order to compensate the transfer of the social security contributions from the employer to the employee based on the fiscal changes introduced by OUG no. 79/2017.

Corporate governance statement<sup>xix</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 and on the in the Company's website, About Us section, Corporate Governance sub-section.
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>xix</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.			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. 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, 2021. 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 (including its committees).
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
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.			of the President of the Presidential and Nomination Committee. The outcome of the Supervisory Board's self-evaluation for 2021 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 2021, are included in the Supervisory Board Report and the Corporate Governance Report. The reports of the Supervisory Board and Executive Board for 2021 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

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, two members of the Presidential and Nomination Committee are independent and thus, the Company is only "partially compliant" with this provision, but a progress was registered as compared to 2020, when only one independent Supervisory Board member was in the Presidential and Nomination Committee.</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. As of 28 April 2021, the Audit Committee is composed of five Supervisory Board members, out of which three are independent. Therefore, at the date of this report, the Company is "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, three members have also financial, auditing or accounting.</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 2021 as well as at the date of this report, the president of the Audit Committee meets all independence criteria provided by the Corporate</p>

Provisions of the Bucharest Stock Exchange Corporate Governance Code	Complies	Does not comply or partially complies	Comments
Governance Code.			
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:
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-	√		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
hoc reports to be submitted to the Board afterwards.			
B.9. No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related parties.	√		The Company applies equal treatment to all its shareholders. According to the internal Policy on Related Party Transactions in place within the Company, related party transactions are considered on their merits in accordance with the normal industry standards, applicable laws and corporate regulations.
B.10. The Board should adopt a policy ensuring that any transaction of the company with any of the companies with which it has close relations, that is equal to or more than 5% of the net assets of the company (as stated in the latest financial report), should be approved by the Board following an obligatory opinion of the audit committee and fairly disclosed to the shareholders and potential investors, to the extent that such transactions fall under the category of events subject to disclosure requirements.	√		<p>The Company adopted an internal Policy on Related Party Transactions providing for the main principles of review, approval and disclosure of related party transactions, according to the 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.</p> <p>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.</p>
B.11. The internal audits should be carried out by a separate structural division (internal audit department) within the company or by retaining an independent third-party entity.	√		Internal audits are carried out by a separate structural department within the Company, namely the Internal Audit department.
B.12. To ensure the fulfillment of the core functions of the internal audit department, it should report functionally to the Board via the audit committee. For administrative purposes and in the scope related to the obligations of the management to monitor and mitigate risks, it should report directly to the chief executive officer.		√	<p>The Internal Audit department administratively reports to the CEO. Still, the Internal Audit department continues to maintain some functional reporting to the Executive Board, meaning that the Company only "partially complies" with this provision.</p> <p>Nonetheless, the Audit Committee is regularly informed about the main internal audit findings and other activities of the Internal Audit department. Moreover, the Audit Committee approves the audit charter (which stands for the terms of reference of the Internal Audit department and which describes its purpose, authority and responsibility) and approves the annual internal</p>

Provisions of the Bucharest Stock Exchange Corporate Governance Code	Complies	Does not comply or partially complies	Comments
			<p>audit plan. Therefore, in our opinion, the independence and objectivity of the internal audit function is not impaired by this reporting structure. Likewise, the Internal Audit Department did not encounter, in its past experiences, cases that could be considered as jeopardizing its independence or objectivity due to these functional reporting lines.</p> <p>The Company is 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>Starting with the 2021 financial year, the Company has a Remuneration Policy which 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>The Remuneration Policy is available on the corporate website in the About Us section, Corporate Governance sub-section.</p> <p>The implementation of the Remuneration Policy and the performance outcomes are presented in the annual Remuneration Report for OMV Petrom's Executive Board and Supervisory Board. The 2021 Remuneration Report for OMV Petrom's Executive Board and Supervisory Board will be submitted for consultative vote in the Ordinary GMS on 27 April 2022.</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 investor.relations.petrom@petrom.com.</p> <p>Likewise, OMV Petrom has a special section of the corporate website dedicated to Investor Relations, where the following main information/documents are available, both in English and Romanian:</p> <ul style="list-style-type: none"> <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>

Provisions of the Bucharest Stock Exchange Corporate Governance Code	Complies	Does not comply or partially complies	Comments
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 2021, 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.			<p>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 all online. With the occasion of the Strategy 2030 release, the Company also organised a Capital Market Day and a virtual non deal road show. For more details, please also see the Annual Report's section relating to OMV Petrom on the capital markets.</p> <p>The Investor Presentations were made available at the time of the meetings / conferences on the corporate website, in the Investors section, Events, Roadshows and Conferences sub-sections.</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 it 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 2021, 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 for the year ended December 31, 2021 give a true and fair view of OMV Petrom Group's assets, liabilities, financial position and profit or loss, as required by the 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, 2022  
The Executive Board

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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

## 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 / billions
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
CAGR	Compound Annual Growth Rate
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>
CCS	Carbon Capture and Storage
CCU	Carbon Capture and Usage
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) (%)
CNG	Compressed Natural Gas
CV	Curriculum Vitae
EB	Executive Board
EPS	Earnings per share = Net income attributable to stockholders divided by weighted number of shares
ESG	Environmental, Social and Governance
EU, EUR	European Union, euro(s)
EURIBOR	Euro Interbank Offer Rate – the reference rate for European banks in interbank loans denominated in EUR
EWRM	Enterprise-Wide Risk Management
FP	Fondul Proprietatea
FRD	Field redevelopment

GDP	Gross Domestic Product
GDR	Global Depository Receipts
GMS	General Meeting of Shareholders
HSSE	Health, Safety, Security and Environment
HU	Hungary
IE	Ireland
IEA	International Energy Agency
IFRS	International Financial Reporting Standards
ISO	International Organization for Standardization
LNG	Liquefied Natural Gas
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 / millions
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 ( $\pm$ ) 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)
SDGs	Sustainable Development Goals
SDS	Sustainable Development Scenario
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.
STEPS	Stated Policies Scenario
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
TRIR	Total Recordable Injury Rate (employees and contractors); the number of recordable injuries (fatalities + lost workday cases + restricted work day cases + medical treatment cases) calculated as 12 months rolling average per 1,000,000 hours worked;
TWh	terawatt hour(s)
UK	United Kingdom
UN	United Nations
US(A)	United States (of America)
USD	United States dollar(s)
VAT	Value added tax
yoy	year-on-year

# OMV Petrom S.A. Consolidated financial statements

for the year ended December 31, 2021  
prepared in accordance with  
International Financial Reporting Standards  
as endorsed by the European Union



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# OMV PETROM S.A. AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### AS OF DECEMBER 31, 2021

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

	Notes	December 31, 2021	December 31, 2020
<b>ASSETS</b>			
Intangible assets	6	2,889.08	2,811.51
Property, plant and equipment	7	25,864.51	27,802.20
Investments in associated companies	8	34.41	31.68
Other financial assets	9	1,995.88	2,092.96
Other assets	10	333.29	233.28
Deferred tax assets	18	1,538.21	1,533.74
<b>Non-current assets</b>		<b>32,655.38</b>	<b>34,505.37</b>
Inventories	11	2,293.02	2,102.90
Trade receivables	9	2,640.68	1,258.13
Other financial assets	9	1,742.09	1,213.11
Other assets	10	301.25	229.77
Cash and cash equivalents		10,322.65	7,450.64
<b>Current assets</b>		<b>17,299.69</b>	<b>12,254.55</b>
Assets held for sale	12	14.83	860.90
<b>Total assets</b>		<b>49,969.90</b>	<b>47,620.82</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	13	5,664.41	5,664.41
Reserves		28,548.93	27,406.22
<b>Stockholders' equity</b>		<b>34,213.34</b>	<b>33,070.63</b>
Non-controlling interests		0.55	0.50
<b>Total equity</b>		<b>34,213.89</b>	<b>33,071.13</b>
Provisions for pensions and similar obligations	14	170.05	213.69
Interest-bearing debts	15	16.49	108.94
Lease liabilities	7, 16	501.41	543.06
Provisions for decommissioning and restoration obligations	14	6,051.61	7,272.42
Other provisions	14	672.95	645.12
Other financial liabilities	16	98.84	46.87
Other liabilities	17	52.01	14.09
<b>Non-current liabilities</b>		<b>7,563.36</b>	<b>8,844.19</b>
Trade payables	16	3,265.78	2,858.64
Interest-bearing debts	15	255.06	175.03
Lease liabilities	7, 16	158.32	137.33
Income tax liabilities		203.82	43.60
Other provisions and decommissioning	14	417.77	516.87
Other financial liabilities	16	2,725.48	802.61
Other liabilities	17	1,166.42	758.74
<b>Current liabilities</b>		<b>8,192.65</b>	<b>5,292.82</b>
Liabilities associated with assets held for sale	12	-	412.68
<b>Total equity and liabilities</b>		<b>49,969.90</b>	<b>47,620.82</b>

# OMV PETROM S.A. AND SUBSIDIARIES

## CONSOLIDATED INCOME STATEMENT

### FOR THE YEAR ENDED DECEMBER 31, 2021

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

	Notes	2021	2020
Sales revenues	19, 28	26,011.13	19,716.98
Other operating income	20	185.47	428.95
Net income/(loss) from investments in associates	21	5.23	4.47
<b>Total revenues and other income</b>		<b>26,201.83</b>	<b>20,150.40</b>
Purchases (net of inventory variation)		(10,572.06)	(8,209.70)
Production and operating expenses		(4,100.78)	(3,488.97)
Production and similar taxes		(1,988.06)	(873.30)
Depreciation, amortization, impairments and write-ups	23	(3,399.41)	(2,996.06)
Selling, distribution and administrative expenses		(1,976.73)	(1,952.35)
Exploration expenses		(203.36)	(814.47)
Other operating expenses	22	(252.58)	(348.46)
<b>Operating result</b>	<b>28</b>	<b>3,708.85</b>	<b>1,467.09</b>
Interest income	24	160.69	337.33
Interest expenses	24	(464.74)	(295.44)
Other financial income and expenses	25	(6.70)	(30.28)
<b>Net financial result</b>		<b>(310.75)</b>	<b>11.61</b>
<b>Profit before tax</b>		<b>3,398.10</b>	<b>1,478.70</b>
Taxes on income	26	(533.68)	(187.69)
<b>Net income for the year</b>		<b>2,864.42</b>	<b>1,291.01</b>
thereof attributable to stockholders of the parent		2,864.34	1,290.96
thereof attributable to non-controlling interests		0.08	0.05
<b>Basic and diluted earnings per share (RON)</b>	<b>27</b>	<b>0.0506</b>	<b>0.0228</b>

# OMV PETROM S.A. AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### FOR THE YEAR ENDED DECEMBER 31, 2021

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

	2021	2020
<b>Net income for the year</b>	<b>2,864.42</b>	<b>1,291.01</b>
Currency translation differences	66.66	(2.63)
Gains/(losses) on hedges arising during the year	(131.60)	467.80
Reclassification of (gains)/losses on hedges to income statement	7.43	(371.31)
<b>Total of items that may be reclassified ("recycled") subsequently to the income statement</b>	<b>(57.51)</b>	<b>93.86</b>
Remeasurement gains/(losses) on defined benefit plans	20.26	(11.45)
Gains/(losses) on hedges that are subsequently transferred to the carrying amount of the hedged item	57.22	(134.60)
<b>Total of items that will not be reclassified ("recycled") subsequently to the income statement</b>	<b>77.48</b>	<b>(146.05)</b>
Income tax relating to items that may be reclassified ("recycled") subsequently to the income statement	61.47	(15.07)
Income tax relating to items that will not be reclassified ("recycled") subsequently to the income statement	(12.40)	23.37
<b>Total income tax relating to components of other comprehensive income</b>	<b>49.07</b>	<b>8.30</b>
<b>Other comprehensive income/(loss) for the year, net of tax</b>	<b>69.04</b>	<b>(43.89)</b>
<b>Total comprehensive income for the year</b>	<b>2,933.46</b>	<b>1,247.12</b>
thereof attributable to stockholders of the parent	2,933.37	1,247.06
thereof attributable to non-controlling interests	0.09	0.06

# OMV PETROM S.A. AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR ENDED DECEMBER 31, 2021

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

#### Consolidated statement of changes in equity for the year ended December 31, 2021

	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, 2021</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>
Net income for the year	-	2,864.34	-	-	-	-	2,864.34	0.08	<b>2,864.42</b>
Other comprehensive income/(loss) for the year	-	17.02	(56.24)	323.58	(215.33)	-	69.03	0.01	<b>69.04</b>
<b>Total comprehensive income/(loss) for the year</b>	<b>-</b>	<b>2,881.36</b>	<b>(56.24)</b>	<b>323.58</b>	<b>(215.33)</b>	<b>-</b>	<b>2,933.37</b>	<b>0.09</b>	<b>2,933.46</b>
Dividends distribution	-	(1,755.96)	-	-	-	-	(1,755.96)	(0.04)	<b>(1,756.00)</b>
Reclassification of cash flow hedges to balance sheet	-	-	(36.15)	-	-	-	(36.15)	-	<b>(36.15)</b>
Change in non-controlling interests and other	-	-	-	-	1.45	-	1.45	-	<b>1.45</b>
<b>Balance at December 31, 2021</b>	<b>5,664.41</b>	<b>28,387.59</b>	<b>(18.03)</b>	<b>154.75</b>	<b>24.64</b>	<b>(0.02)</b>	<b>34,213.34</b>	<b>0.55</b>	<b>34,213.89</b>

**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>

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, 2021

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

	Notes	2021	2020
<b>Profit before tax</b>		<b>3,398.10</b>	<b>1,478.70</b>
Interest income	24	(134.51)	(265.14)
Interest expenses and other financial expenses	24, 25	32.82	27.44
Net movement in provisions and allowances for:			
- Inventories		(4.19)	15.28
- Receivables and other assets		(60.36)	(38.82)
- Pensions and similar liabilities		(24.17)	(38.79)
- Decommissioning and restoration obligations		(96.89)	74.82
- Other provisions for risk and charges		(17.85)	35.35
Income from associated companies	8	(2.08)	(4.47)
Net gains on the disposal of businesses, subsidiaries and non-current assets	20, 22	(35.95)	(41.25)
Depreciation, amortization and impairments including write-ups		3,496.79	3,677.85
Other non-monetary adjustments	32	1,125.33	(94.60)
Interest received		125.45	189.26
Interest and other financial costs paid		(20.25)	(22.54)
Tax on profit paid		(351.98)	(401.24)
<b>Cash generated from operating activities before working capital movements</b>		<b>7,430.26</b>	<b>4,591.85</b>
(Increase)/decrease in inventories		(212.60)	297.09
(Increase)/decrease in receivables		(1,080.36)	798.20
Increase/(decrease) in liabilities		859.69	(131.41)
<b>Cash flow from operating activities</b>		<b>6,996.99</b>	<b>5,555.73</b>
<b>Investments</b>			
Intangible assets and property, plant and equipment		(2,846.22)	(3,445.27)
<b>Disposals</b>			
Proceeds in relation to non-current assets	32	88.01	210.50
Proceeds from transfer of business	32	43.00	-
Proceeds from sale of subsidiaries, net of cash disposed	32	462.27	71.59
<b>Cash flow from investing activities</b>		<b>(2,252.94)</b>	<b>(3,163.18)</b>
Net repayments of borrowings	32	(172.92)	(180.56)
Dividends paid		(1,741.02)	(1,740.38)
<b>Cash flow from financing activities</b>		<b>(1,913.94)</b>	<b>(1,920.94)</b>
Effect of foreign exchange rate changes on cash and cash equivalents		11.32	(3.93)
<b>Net increase in cash and cash equivalents</b>		<b>2,841.43</b>	<b>467.68</b>
Cash and cash equivalents at the beginning of the year		7,481.22	7,013.54
Cash and cash equivalents at the end of the year		10,322.65	7,481.22
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>10,322.65</b>	<b>7,450.64</b>

# OMV PETROM S.A. AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2021

(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.

Starting with January 1, 2022, OMV Petrom Group business segments were renamed as follows: Upstream to Exploration & Production; Downstream Oil to Refining & Marketing, and Downstream Gas to Gas & Power.

### Stockholders' structure as at December 31, 2021 and 2020

	Percent 2021	Percent 2020
OMV Aktiengesellschaft	51.011%	51.011%
Romanian State	20.639%	20.639%
Fondul Proprietatea S.A.	6.997%	6.997%
Legal entities and private individuals	21.353%	21.353%
<b>Total</b>	<b>100.000%</b>	<b>100.000%</b>

As of December 31, 2021 the number of Global Depositary Receipts (GDRs) was 111,494, equivalent of 16,724,100 ordinary shares, representing 0.030% of the share capital.

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.

### 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”) and are prepared 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.

### Effect of climate-related matters and energy transition

OMV Petrom Group has considered the short- and long-term effects of climate change and energy transition in preparing the consolidated financial statements. The significant accounting estimates performed by management incorporate the future effects of OMV Petrom Group's own strategic decisions and commitments on having its portfolio adhered to the energy transition targets, short and long-term impacts of climate-related matters and energy transition to lower carbon energy sources together with management's best estimate on global supply and demand, including forecasted commodities prices.

OMV Petrom Group is aware of its responsibility and will live up to its commitment to the Paris Agreement and the EU climate targets.

Nevertheless, there is significant uncertainty around the changes in the mix of energy sources over the next 30 years and the extent to which such changes will meet the ambitions of the Paris Agreement. While companies can commit to such ambitions, financial reporting under IFRS requires the use of assumptions that represent management's current best estimate of the range of expected future economic conditions, which may differ from such ambitions.

OMV Petrom Group operates on a regional market with regional products and expects to see energy transition at different pace in the different countries where it operates. Hence, OMV Petrom Group's mid term plan assumptions, which are used for estimates in different areas of the group financial statements, including impairment of assets, useful lives and decommissioning provisions, are based on a scenario, which is based on the International Energy Agency (IEA) Stated Policies Scenario (STEPS) taken from the World Economic Outlook and adjusted such that the EU, the United States, China, Japan and South Korea (with a two-year delay for political alignment and measuring effectiveness) are following the IEA Sustainable Development Scenario ("SDS") and meeting the Paris Agreement targets.

To recognize the uncertainty in the pace of the energy transition, OMV Petrom Group performed a stress test analysis, using a decarbonization scenario which is built on the IEA SDS Scenario, where the entire world reaches the Paris Agreement commitment to be net-zero by 2070. The goal of this analysis is to assess the impact of this scenario on the recoverability of assets and valuation of liabilities.

The entire world following the Paris agreement targets has an impact on the global demand which impacts the oil and gas price assumptions, CO<sub>2</sub> price assumptions, refining margins, power prices and spreads as well as volume development expectations which have been used in the stress test analysis.

### Recoverability of assets

Commodity price assumptions may have a significant impact on the recoverable amounts of E&A assets and PPE.

Oil price assumptions have already been revised in 2020 to reflect changes in the market environment and led to net impairments of Upstream tangible assets of RON 346.37 million before tax and write-offs of exploration intangibles of RON 599.09 million before tax. In 2021, the oil and gas price assumptions in the mid term plan scenario, which reflect the potential impact of energy transition, did not materially change in comparison to 2020. Consequently, no impairment losses or reversals of impairments due to changes in price assumptions were recorded.

Management continues to monitor the relevant commodity price assumptions in the future. This might lead to additional impairment losses or reversals of impairments.

In the stress test, OMV Petrom Group assumes for the Upstream segment a USD 15-20 lower long term oil price than in the mid term plan scenario. According to this stress case, the carrying amounts of the oil and gas assets with proved reserves would have to be decreased by RON 10 billion; the value of oil and gas assets with unproved reserves that would be abandoned is not significant. The remaining carrying amount of property, plant and equipment of oil and gas assets with a share of oil production higher than 55% would be RON 5 billion in this stress case scenario.

In the Downstream Oil segment, the stress case reflects globally declining volume developments for almost all products resulting in negative growth rates and further decline in margins compared to the mid term plan scenario. This would lead to a further decrease in the carrying amount in total of RON 2 billion related to the Petrobrazil refinery.

In Downstream Gas the stress case reflects mainly an increase in the CO<sub>2</sub> prices, however long term expectations are that this increase would be reflected in the energy prices, and therefore this would not generate any impairment of Brazil gas fired power plant.

The stress case was calculated using a simplified method. The calculation is based on a discounted cash flows model similar to a value in use calculation where no future investments for enhancements, improvements and restructuring have been considered. In the Upstream segment, the cash flows are based on an adjusted mid-term planning for five years and a life of field planning for the remaining years until abandonment. In the Downstream Oil segment, the cash flows of the 5-year mid-term planning and a terminal value are included. The (negative) growth rates used for calculating the terminal value are estimated in line with the expected changes in the demand of the various products over the next 20 years. The stress case does not include any other changes to input factors than prices and volumes. It does not consider consequential changes that management could implement such as cost reductions, reserve reviews, divestments, and changes in business plans. The amounts presented above should therefore not be seen as a best estimate of an expected impairment impact following such a scenario.

### Useful lives

The tangible assets in Downstream Oil will in average be fully depreciated over the next 5 years. Demand for petroleum products is expected to stay robust over this period of time. It is therefore not expected that energy transition has a material impact on the expected useful lives of property, plant, and equipment in the Downstream Oil segment.

Average remaining proved (1P) reserves life ratio, assuming current annual production, is 9 years and depreciation is calculated based on the "unit-of-production" method, therefore OMV Petrom Group does not expect that energy transition has a material impact on the useful lives of property, plant and equipment in the Upstream segment.

As OMV Petrom Group doesn't see the Downstream Gas segment materially impacted by the energy transition, there is also no material impact on useful lives expected in this segment.

### Decommissioning provisions

The economic cut-off date of Upstream oil and gas assets does not shift significantly under the stress case scenario. The impact on the carrying amount of the decommissioning provisions is therefore expected to be immaterial.

For refinery, no decommissioning provisions are recognized. The Petrobrazil refinery is expected to continue to be used for production even under a Paris-aligned energy transition scenario.

## 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 reviewed externally periodically (usually every two years). The last external review for oil and gas reserves was performed in 2021 for the reserves as of year-end 2020. Commercial reserves are evaluated according to internal regulations, which are in line with the industry standards.

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, 2021 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) Provisions for decommissioning and restoration obligations

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 a "life of field" planning and therefore cover the whole life term of the field.

In 2021, there were no significant changes in the assumptions in comparison to 2020. 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.

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

<b>Oil price assumptions in 2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
Brent oil price (USD/bbl)	65	65	65	65	65
RON/USD exchange rate	4.14	4.14	4.14	4.14	4.14
Brent oil price (RON/bbl)	269	269	269	269	269

<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

For the years 2027 until 2030, 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 2026 are based on 2026 real terms.

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 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 revisions in 2020 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.

In 2020, an increase of 1 percentage point in the after-tax discount rates would have led to an additional after-tax impairment of approximately RON 150 million. Furthermore, a Brent oil price decrease of USD 10/bbl per year would have led to an additional after-tax impairment of approximately RON 2.5 billion.

#### 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 2021 and 2020, 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 CO<sub>2</sub> 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 2021, based on management estimations it was concluded that there were no triggering indicators for performing an impairment test in Downstream Gas.

In 2020, the long-term power and CO<sub>2</sub> 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 have changed the amount of the reversal, as the recoverable amount would have been still higher than the write-up cap. Also, a decrease of 25% in the spark-spread would not have had an impact on the reversal booked.

## 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, 2021, prepared in accordance with consistent accounting and valuation principles. The financial statements of the subsidiaries are prepared for the same reporting date, December 31, 2021, 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, 2021</b>	<b>11</b>	<b>1</b>
Included for the first time	1	-
Deconsolidated during the year	(2)	-
<b>As at December 31, 2021</b>	<b>10</b>	<b>1</b>
Romanian companies	5	1
Foreign companies	5	-

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, 2021 and December 31, 2020.

## 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 the dividends received (Note 8).

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, 2021 and 2020, 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.

The Group has adopted the following amendments to standards from January 1, 2021:

- ▶ Amendment to IFRS 16 Leases: Covid-19-Related Rent Concessions
- ▶ Amendment to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021
- ▶ Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform - Phase 2

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

### 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 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
IFRS 17 Insurance Contracts and Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1: Classification of Liabilities as Current and Non-Current	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 8: Definition of Accounting Estimates	January 1, 2023
Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023

### 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. 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. 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 recognized in income statement.

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 expenses relate exclusively to the business segment Upstream and comprise the costs associated with unproved reserves. These include geological and geophysical costs for the identification and investigation of areas with possible oil and gas reserves and administrative, legal and consulting costs in connection with exploration.

Exploration and evaluation costs are accounted for using the successful efforts method of accounting. Costs related to geological and geophysical activity are expensed as 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. Exploratory wells in progress at year -end which are determined to be unsuccessful subsequent to the statement of financial position date are treated as non-adjusting events, meaning that the costs incurred for such exploratory wells remain capitalized in the financial statements of the reporting period under review and will be expensed in the subsequent period.

## 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 measured at the lower of carrying amount and fair value less costs to sell. 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 are presented in the income statement within other operating expenses and 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.

As per IFRS 9 Financial Instruments, 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, as follows: the result of derivative financial instruments related to petroleum products and power is presented in sales revenues and the result of derivative financial instruments related to materials (e.g. crude oil, CO<sub>2</sub>) is presented in purchases (net of inventory variation).

However, commodity 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 and they fall under own use exemption. OMV Petrom Group enters into gas forward contracts with physical delivery, creating links within the value chain for the commodity. These contracts are not settled net. Therefore gas forward contracts fall under own use exemption as mentioned above.

## 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. Any such 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 (not reclassified to income statement in subsequent periods) and for other benefits in the consolidated income statement.

**Provisions for 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 financial 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 profits 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 profits 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 may 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.

#### **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.

### **r) Exploration and production sharing agreements**

Exploration and production sharing agreements are contracts for oil and gas licenses in which the oil or gas production is shared between one or more oil companies and the host country/national oil company in defined proportions. Exploration expenditures are carried by the oil companies as a rule and recovered from the state or the national oil company through so called "cost oil" in a successful case only.

## 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, 2021*	Average for the year ended December 31, 2021	Year ended December 31, 2020*	Average for the year ended December 31, 2020
US dollar (USD)	4.3707	4.1630	3.9660	4.2413
Euro (EUR)	4.9481	4.9208	4.8694	4.8376
Moldavian Leu (MDL)	0.2463	0.2354	0.2305	0.2451
Serbian Dinar (RSD)	0.0421	0.0419	0.0414	0.0411
Bulgarian Leva (BGN)	2.5299	2.5159	2.4897	2.4734

\*) 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, 2021</b>	<b>1,349.43</b>	<b>3,625.40</b>	<b>4,974.83</b>
Exchange differences	0.80	3.14	<b>3.94</b>
Additions*	17.38	162.93	<b>180.31</b>
Transfers (Note 7)	(0.02)	(0.18)	<b>(0.20)</b>
Disposals	(9.02)	(131.44)	<b>(140.46)</b>
<b>Balance as at December 31, 2021</b>	<b>1,358.57</b>	<b>3,659.85</b>	<b>5,018.42</b>
<b>ACCUMULATED AMORTIZATION AND IMPAIRMENT</b>			
<b>Balance as at January 1, 2021</b>	<b>1,223.32</b>	<b>940.00</b>	<b>2,163.32</b>
Exchange differences	0.58	0.97	<b>1.55</b>
Amortization	11.25	0.74	<b>11.99</b>
Impairment	-	92.74	<b>92.74</b>
Transfers (Note 7)	(0.02)	-	<b>(0.02)</b>
Disposals	(8.66)	(131.44)	<b>(140.10)</b>
Write-ups	-	(0.14)	<b>(0.14)</b>
<b>Balance as at December 31, 2021</b>	<b>1,226.47</b>	<b>902.87</b>	<b>2,129.34</b>
<b>CARRYING AMOUNT</b>			
<b>As at January 1, 2021</b>	<b>126.11</b>	<b>2,685.40</b>	<b>2,811.51</b>
<b>As at December 31, 2021</b>	<b>132.10</b>	<b>2,756.98</b>	<b>2,889.08</b>

\*) Includes the amount of RON 0.63 million representing increase 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, 2021 and 2020.

## 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, 2021</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>
Exchange differences	22.58	-	6.33	6.15	1.64	<b>36.70</b>
Additions	43.18	1,868.33	69.42	82.37	680.00	<b>2,743.30</b>
Transfers*	69.57	(51.39)	362.31	47.73	(428.02)	<b>0.20</b>
Transfers to assets held for sale	(45.90)	(6.13)	(0.91)	(0.04)	-	<b>(52.98)</b>
Disposals**	(34.75)	(1,699.02)	(161.22)	(106.40)	-	<b>(2,001.39)</b>
<b>Balance as at December 31, 2021</b>	<b>5,405.55</b>	<b>41,719.74</b>	<b>11,936.36</b>	<b>1,596.65</b>	<b>936.74</b>	<b>61,595.04</b>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b>						
<b>Balance as at January 1, 2021</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>
Exchange differences	11.49	-	4.85	4.48	0.16	<b>20.98</b>
Depreciation	215.60	1,831.10	748.88	165.25	-	<b>2,960.83</b>
Impairment	1.80	426.28	7.90	3.41	1.41	<b>440.80</b>
Transfers*	(0.07)	2.73	(2.24)	(0.40)	-	<b>0.02</b>
Transfers to assets held for sale	(5.36)	0.38	(0.15)	(0.01)	-	<b>(5.14)</b>
Disposals	(16.48)	(494.33)	(141.20)	(99.88)	-	<b>(751.89)</b>
Write-ups	-	(1.82)	(0.05)	-	(0.21)	<b>(2.08)</b>
<b>Balance as at December 31, 2021</b>	<b>2,799.36</b>	<b>24,500.60</b>	<b>7,303.28</b>	<b>1,105.54</b>	<b>21.75</b>	<b>35,730.53</b>
<b>CARRYING AMOUNT</b>						
<b>As at January 1, 2021</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>
<b>As at December 31, 2021</b>	<b>2,606.19</b>	<b>17,219.14</b>	<b>4,633.08</b>	<b>491.11</b>	<b>914.99</b>	<b>25,864.51</b>

\*) Net amount represents transfers from intangibles (Note 6).

\*\*) Includes the amount of RON (1,204.44) million representing decrease from reassessment of the decommissioning asset.

Expenditure capitalized in the course of construction of tangible and intangible assets amounts to RON 476.06 million (2020: RON 529.58 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, power generators and other equipment, 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. Optional periods, which have not been taken into account in the measurement of the leases, exist mainly for equipment and transportations vehicles in Upstream.

#### 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, 2021</b>	<b>258.76</b>	<b>93.04</b>	<b>285.25</b>	<b>637.05</b>
Additions	37.07	18.60	79.56	135.23
Depreciation	(29.42)	(23.27)	(97.35)	(150.04)
Other movements	(7.21)	(0.68)	(5.06)	(12.95)
<b>Right-of-use assets as at December 31, 2021</b>	<b>259.20</b>	<b>87.69</b>	<b>262.40</b>	<b>609.29</b>

#### Amounts recognized in consolidated income statement

	2021	2020
<b>Operating result</b>		
Short-term lease expenses	15.34	20.78
Low-value lease expenses	0.69	0.72
Variable lease expenses	22.87	20.70
Depreciation expense of right-of-use assets	150.04	142.42
<b>Net financial result</b>		
Interest expense on lease liabilities	10.79	10.95
Foreign exchange loss on lease liabilities	8.65	5.66

In addition, OMV Petrom Group incurred in 2021 short term lease costs of RON 55.74 million (2020: RON 54.73 million) which were capitalized in the cost of other assets.

Variable lease payments expensed in 2021 in amount of RON 22.87 million (2020: RON 20.70 million) were related to contingent rent mainly for leased land for filling stations and for 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, 2021 and December 31, 2020 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) and the reconciliation of the net carrying amount:

	2021	2020
<b>Balance as at January 1</b>	<b>31.68</b>	<b>26.94</b>
<b>Group's share of:</b>		
- profit from continuing operations (Note 21)	5.23	4.47
- other comprehensive income	0.65	0.27
<b>Total comprehensive income</b>	<b>5.88</b>	<b>4.74</b>
Less dividends during the year	(3.15)	-
<b>Balance as at December 31</b>	<b>34.41</b>	<b>31.68</b>

## 9. TRADE RECEIVABLES AND OTHER FINANCIAL ASSETS

### a) Trade receivables

Trade receivables are amounting to RON 2,640.68 million as at December 31, 2021 (2020: RON 1,258.13 million), thereof trade receivables measured at fair value amounting to RON 61.86 million (2020: nil).

#### Credit quality of trade receivables

December 31, 2021	Expected credit loss rate	Gross carrying amount	Expected credit loss	Net carrying amount
Risk class 1	0.07%	109.31	-	109.31
Risk class 2	0.24%	899.22	0.05	899.17
Risk class 3	1.21%	1,413.87	4.98	1,408.89
Risk class 4	10.37%	165.01	4.72	160.29
Risk class 5	100.00%	124.58	123.42	1.16
<b>Total</b>		<b>2,711.99</b>	<b>133.17</b>	<b>2,578.82</b>

December 31, 2020	Expected credit loss rate	Gross carrying amount	Expected credit loss	Net carrying amount
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>

The amounts in the above tables do not include trade receivables which are measured at fair value.

The movements in impairment of trade receivables are as follows:

	2021	2020
<b>January 1</b>	<b>204.09</b>	<b>204.06</b>
Amounts written off	(3.92)	(0.68)
Net remeasurement of expected credit losses	(66.81)	0.52
Foreign exchange rate differences	(0.19)	0.19
<b>December 31</b>	<b>133.17</b>	<b>204.09</b>

There was no impairment for trade receivables with related parties (see Note 30) as of December 31, 2021 and December 31, 2020.

## b) Other financial assets (net of impairment)

	Liquidity term		
	December 31, 2021	less than 1 year	over 1 year
Expenditure recoverable from Romanian State	1,841.21	80.18	1,761.03
Derivative financial assets (Note 33)	1,556.09	1,393.99	162.10
Investments	0.91	-	0.91
Other financial assets	339.76	267.92	71.84
<b>Total</b>	<b>3,737.97</b>	<b>1,742.09</b>	<b>1,995.88</b>

	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
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>

### Expenditure recoverable from Romanian State

As part of the privatization agreement, OMV Petrom S.A. is entitled to reimbursement by the Romanian State of part of decommissioning and environmental costs incurred to restore and clean up areas pertaining to activities prior to privatization in 2004. Consequently, OMV Petrom S.A. has recorded as receivable from the Romanian State the estimated decommissioning obligations having a net present value of RON 1,740.45 million as at December 31, 2021 (2020: RON 2,152.42 million) and the environmental liabilities with net present value of RON 100.76 million (2020: RON 249.77 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). During 2021, the amount of RON 287.62 million representing the principal was collected.

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, 2021, the arbitration procedure is ongoing.

#### Derivative financial assets

As of December 31, 2021, derivative financial assets are mainly related to unrealized power forward acquisition contracts.

#### 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

As of December 31, 2021, "Other financial assets" line includes mainly receivables from realized swaps on crude oil and petroleum products and deferred consideration from sale of business and non-current 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. During 2021 an amount of RON 37.61 million from the last two tranches was collected (see Note 32 b) and the remaining balance was written off.

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

December 31, 2021	Expected credit loss rate	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Risk class 1	0.07%	110.67	-	-	<b>110.67</b>
Risk class 2	0.24%	1,900.34	-	47.80	<b>1,948.14</b>
Risk class 3	1.21%	129.20	-	-	<b>129.20</b>
Risk class 4	10.37%	51.00	-	-	<b>51.00</b>
Risk class 5	100.00%	-	-	542.79	<b>542.79</b>
<b>Total</b>		<b>2,191.21</b>	-	<b>590.59</b>	<b>2,781.80</b>

For risk class 2, "12-month ECL" included an amount of RON 1,848.39 million and "Lifetime ECL credit impaired" included an amount of RON 47.80 million, related to expenditure recoverable from the Romanian State, which are outside the scope of IFRS 9.

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%	0.05	-	-	0.05
Risk class 2	0.25%	2,522.13	-	45.68	2,567.81
Risk class 3	1.19%	138.41	-	-	138.41
Risk class 4	10.26%	2.39	-	-	2.39
Risk class 5	100.00%	0.25	-	538.90	539.15
<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, which are outside the scope of IFRS 9.

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

December 31, 2021	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%	7.24	-	47.80	55.04
Risk class 3	1.21%	0.62	-	-	0.62
Risk class 4	10.37%	2.38	-	-	2.38
Risk class 5	100.00%	-	-	542.79	542.79
<b>Total</b>		<b>10.24</b>	<b>-</b>	<b>590.59</b>	<b>600.83</b>

For risk class 2, “12-month ECL” included an amount of RON 7.18 million and “Lifetime ECL credit impaired” included an amount of RON 47.80 million, related to expenditure recoverable from the Romanian State, which are outside the scope of IFRS 9.

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%	0.54	-	-	0.54
Risk class 4	10.26%	0.11	-	-	0.11
Risk class 5	100.00%	0.11	-	538.90	539.01
<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, which are outside the scope of IFRS 9.

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, 2021</b>	<b>5.59</b>	-	<b>584.58</b>	<b>590.17</b>
Amounts written off	-	-	(11.93)	(11.93)
Net remeasurement of expected credit losses	4.65	-	17.94	22.59
Foreign exchange rate differences	-	-	-	-
<b>December 31, 2021</b>	<b>10.24</b>	-	<b>590.59</b>	<b>600.83</b>

	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
<b>January 1, 2020</b>	<b>4.96</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>584.58</b>	<b>590.17</b>

## 10. OTHER ASSETS

The carrying value of other assets was as follows:

	Liquidity term		
	December 31, 2021	less than 1 year	over 1 year
Receivable from taxes	234.07	46.22	187.85
Advance payments on fixed assets	181.70	114.27	67.43
Prepaid expenses and deferred charges	65.88	22.92	42.96
Rental and lease prepayments	47.50	12.45	35.05
Other non-financial assets	105.39	105.39	-
<b>Total</b>	<b>634.54</b>	<b>301.25</b>	<b>333.29</b>

	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>

The increase in "Advance payments on fixed assets" is mainly related to Brazi power plant major maintenance.

## 11. INVENTORIES

	December 31, 2021	December 31, 2020
Crude oil	476.57	474.30
Natural gas	83.38	104.24
Other materials	310.46	279.02
Work in progress	136.48	95.44
Finished products	1,286.13	1,149.90
<b>Total</b>	<b>2,293.02</b>	<b>2,102.90</b>

The cost of materials and goods consumed during 2021 (whether used in production or re-sold) is of RON 12,046.16 million (2020: RON 8,781.06 million) and includes also the cost related to CO<sub>2</sub> emissions amounting to RON 370.69 million (2020: RON 334.02 million) and the unrealized fair value gains from CO<sub>2</sub> forward contracts of RON 178.02 million (2020: RON 70.51 million).

As at December 31, 2021 and 2020 there are no inventories pledged as security for liabilities.

## 12. ASSETS HELD FOR SALE

	December 31, 2021	December 31, 2020
Land and buildings	14.83	6.61
Plant and equipment	-	722.91
Other assets	-	100.80
Cash and cash equivalents	-	30.58
<b>Assets held for sale</b>	<b>14.83</b>	<b>860.90</b>
Provisions for decommissioning and restoration	-	319.33
Other provisions and liabilities	-	93.35
<b>Liabilities associated with assets held for sale</b>	<b>-</b>	<b>412.68</b>

As at December 31, 2021, assets held for sale refer to plots of land from Corporate segment.

As at December 31, 2020, assets and liabilities held for sale referred to Upstream segment and were related to:

- ▶ the two subsidiaries in Kazakhstan, as in December 2020 OMV Petrom S.A. 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. On May 14, 2021, OMV Petrom S.A. finalized the sale of its 100% share in Kom-Munai LLP and Tasbulat Oil Corporation LLP to Magnetic Oil Limited.
- ▶ 40 marginal onshore oil and gas fields, for which OMV Petrom S.A. concluded a transfer agreement with Dacian Petroleum S.R.L. in January 2020, which led to the reclassification of related assets and liabilities to "held for sale". On December 1, 2021, OMV Petrom S.A. closed the transfer of 40 marginal onshore oil and gas fields to Dacian Petroleum S.R.L..

## 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, 2021 and 2020 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, 2021 and 2020. 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, 2021 and 2020. 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 560.65 million (2020: RON 500.47 million). The amount of RON 60.18 million was allocated to other reserves, representing fiscal facilities from reinvested profit in the year 2021 (2020: RON 46.41 million).

At the Annual General Meeting of Shareholders held on April 27, 2021, the shareholders of OMV Petrom S.A. approved the distribution of gross dividends in amount of RON 0.0310 per share for the financial year 2020.

On March 17, 2022, the Supervisory Board endorsed the management's proposal to distribute gross dividends of RON 0.0341 per share for the financial year 2021. The dividend proposal is subject to further approval by the Ordinary General Meeting of Shareholders, on April 27, 2022.

### 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 loss recognized in other comprehensive income, net of tax, is in amount of RON 18.03 million as at December 31, 2021 (2020: unrealized gain RON 74.36 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.

### Foreign currency translation reserve

During 2021, the amount of RON 306.25 million representing exchange rate losses from the translation of foreign operations was recognized in the consolidated income statement, following disposal of Kom-Munai LLP and Tasbulat Oil Corporation LLP.

### 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.

During 2021, exchange gains on loans considered net investment in Kom-Munai LLP and Tasbulat Oil Corporation LLP, in amount of RON 215.33 million, were recycled to consolidated income statement following disposal of these subsidiaries.

## 14. PROVISIONS

	Pensions and similar obligations	Decommissioning and restoration	Other provisions	Total
<b>January 1, 2021</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>
Exchange differences	0.01	0.04	1.16	<b>1.21</b>
Used	(13.71)	(323.50)	(129.78)	<b>(466.99)</b>
Net allocations/(releases)	(29.94)	(962.40)	122.40	<b>(869.94)</b>
<b>December 31, 2021</b>	<b>170.05</b>	<b>6,253.93</b>	<b>888.40</b>	<b>7,312.38</b>
thereof short-term	-	202.32	215.45	<b>417.77</b>
thereof long-term	170.05	6,051.61	672.95	<b>6,894.61</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, 2021 amounts RON 112.15 million (2020: RON 140.55 million). In addition, employees receive other benefits consisting in death and coffin benefits. Other benefits obligation as of December 31, 2021 amounts to RON 57.90 million (2020: RON 73.14 million).

Provisions have been set up based on actuarial calculations performed by qualified actuaries using the following parameters: a discount rate of 5.22% (2020: 3.35%) and an estimated average yearly salary increase of 3.00% (2020: 3.10%).

### Present value of the pensions and similar obligations

	2021	2020
<b>Present value of obligations as of January 1</b>	<b>213.69</b>	<b>240.70</b>
Current service cost	7.42	8.50
Past service cost	(13.94)	(43.56)
Interest cost	7.23	10.83
Benefits paid	(13.71)	(19.28)
Remeasurements for the year	(30.64)	16.50
<b>Present value of obligations as of December 31</b>	<b>170.05</b>	<b>213.69</b>

In 2021 and 2020 past service cost is related mainly to outsourcing and restructuring of activities in Upstream.

**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>(7.83)</b>	<b>8.44</b>	<b>2.98</b>	<b>(2.89)</b>

**Maturity profile**

	Maturity profile			Duration
	1-5 years	6-10 years	>10 years	in years
<b>Retirement benefits</b>	<b>26.26</b>	<b>35.86</b>	<b>50.03</b>	<b>10.78</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, 2021 were between 1.43% and 2.41% for onshore (2020: between 0.50% and 0.57%) and 5.22% for offshore (2020: 3.10%). 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 826 million.

The provision for decommissioning and restoration costs includes mainly obligations in respect of OMV Petrom S.A. amounting to RON 6,233.57 million (2020: RON 7,511.13 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:

	2021	2020
<b>January 1</b>	<b>7,539.79</b>	<b>6,768.27</b>
Exchange differences	0.04	(0.19)
Revisions in estimates	(1,215.04)	733.55
Unwinding effect	252.64	288.42
Used in current year	(323.50)	(201.21)
Transfer to liabilities associated with assets held for sale	—	(49.05)
<b>December 31</b>	<b>6,253.93</b>	<b>7,539.79</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 2021 was driven mainly by higher net discounting rates in Romania.

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.

#### Other provisions

December 31, 2021	Total	less than 1 year	over 1 year
Environmental provision	386.49	46.73	339.76
Other personnel provisions	68.06	62.67	5.39
Provisions for litigations	94.19	3.08	91.11
Other	339.66	102.97	236.69
<b>Total</b>	<b>888.40</b>	<b>215.45</b>	<b>672.95</b>

December 31, 2020	Total	less than 1 year	over 1 year
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>

#### 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, 2021 and 2020 represent the best estimate of the Group's experts for environmental matters. Environmental provisions are mainly computed using a net discount rate of 2.41% (2020: 0.50%).

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 561,041 emission certificates for the year 2021 (2020: 643,767 emission certificates), received during the year according to article 10a) of the Directive.

During 2021 the Group had net purchases of 2,385,751 emissions certificates (2020: net sales of 329,915 emissions certificates).

A shortfall in emission certificates is provided for. As of December 31, 2021 and December 31, 2020, the Group was not short of certificates.

## 15. INTEREST-BEARING DEBTS

As at December 31, 2021 and December 31, 2020 OMV Petrom Group had the following loans:

Borrower	Lender	December 31, 2021	December 31, 2020
<b>Interest-bearing debts short-term</b>			
OMV Petrom S.A.	European Investment Bank (a)	94.25	92.75
OMV Petrom S.A.	OMV Petrom Global Solutions S.R.L. (b)	160.08	81.22
	Accrued interest and other	0.78	1.13
	Prepayments in relation with loan amounts drawn	(0.05)	(0.07)
<b>Total interest bearing debts short-term</b>		<b>255.06</b>	<b>175.03</b>
<b>Interest-bearing debts long-term</b>			
OMV Petrom S.A.	European Investment Bank (a)	16.49	108.98
	Prepayments in relation with loan amounts drawn	-	(0.04)
<b>Total interest-bearing debts long-term</b>		<b>16.49</b>	<b>108.94</b>
thereof maturing after more than 1 year but not later than 5 years		16.49	108.94
<b>Total interest-bearing debts</b>		<b>271.55</b>	<b>283.97</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, 2021 was RON 110.74 million (equivalent of EUR 22.38 million) (2020: RON 201.73 million, equivalent of EUR 41.43 million).

(b) A cash pooling agreement with valability until April 18, 2026, 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 250.00 million, usable in RON, EUR, USD or GBP. The amount drawn by the Group as at December 31, 2021 was RON 160.08 million (2020: RON 81.22 million).

The OMV Petrom Group's companies had several credit facilities in place as at December 31, 2021 and at December 31, 2020 as follows:

(c) An unsecured credit facility granted by Raiffeisen Bank S.A. up to EUR 80.00 million (equivalent of RON 395.85 million) consisting in two subfacilities: subfacility A with maturity date prolonged to December 31, 2022 (for an amount of EUR 20.00 million, equivalent of RON 98.96 million) and subfacility B with maturity date prolonged to December 31, 2025 (for an amount of EUR 60.00 million, equivalent of RON 296.89 million). Maturities for both subfacilities are subject to possibility of further automatic extensions for successive periods of 12 months. 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., OMV Petrom Gas S.R.L. and by OMV Petrom Aviation S.R.L. only for the issuance of letters of credit and/or issuance of letters of bank guarantee. As at December 31, 2021 and 2020 no withdrawals were made under the overdraft facility.

(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 60.00 million (equivalent of RON 296.89 million), for issuance of letters of bank guarantee and as overdraft for working capital financing. The maturity of the credit facility is November 9, 2026. No drawings under the overdraft were made as at December 31, 2021 and 2020.

- (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 445.33 million) that can be used in RON, with maturity date prolonged until April 30, 2022. 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, 2021 and 2020.
- (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 989.62 million), for issuance of letters of bank guarantee and similar and as overdraft for working capital financing. As at December 31, 2021, the maturity for letters of bank guarantee and similar is January 13, 2024 and for overdraft the maturity is January 11, 2023, 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, 2021 and 2020.
- (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 to be utilized for issuance of letters of bank guarantee and similar and as overdraft for working capital financing. The maturity was January 15, 2022 for overdraft purposes and March 15, 2023 for issuance of bank guarantees. The cash portion was not used as at December 31, 2020. In November 2021, the credit facility was closed.
- (h) An unsecured facility contracted by OMV Serbia from Raiffeisen Banka a.d. Belgrad, with a maximum limit of RSD 600.00 million (equivalent of RON 25.26 million) and maturity date prolonged to March 29, 2024. The destination of the facility is for general corporate purposes financing. As at December 31, 2021 and 2020 no amount was used under the overdraft facility.
- (i) An unsecured credit facility agreement was signed by Petrom Moldova S.R.L. with Banca Comercială Română Chişinău S.A. for up to MDL 20.00 million (equivalent of RON 4.93 million) to be utilized as overdraft for working capital financing. Final maturity is December 31, 2023. No drawings were made under the overdraft facility as at December 31, 2021 and 2020.
- (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 and maturity date prolonged to July 31, 2024. The purpose of the facility was 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. This facility was closed during 2021 following disposal of the subsidiaries.
- (k) An unsecured facility contracted by OMV Bulgaria OOD from Raiffeisenbank Bulgaria EAD, with a limit of BGN 19.75 million (equivalent of RON 49.97 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, 2021 and 2020.
- 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 80.00 million (equivalent of RON 395.85 million), to be utilized only for issuance of letters of bank guarantee and letters of credit, with maturity date prolonged to July 15, 2022. Maturity is subject to possibility of further automatic extensions for successive periods of 12 months, but not longer than July 15, 2028.
- (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 123.70 million), to be utilized only for issuance of letters of bank guarantee, with maturity until September 17, 2025.
- (n) An unsecured credit facility received by OMV Petrom S.A. from Banca Comercială Română S.A., up to RON 22.00 million to be utilized for issuance of of guarantee instruments in favour of Romanian authorities generally in relationship with customs taxes and excises, with open-end maturity.

(o) 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 9.90 million) and maturity date prolonged to March 31, 2025. The destination of the facility is the issuance of letters of bank guarantee and letters of credit.

(p) An unsecured credit facility agreement was signed by Petrom Moldova S.R.L. with Banca Comercială Română Chişinău S.A. for up to MDL 1.00 million (equivalent of RON 0.25 million) to be utilized for issuance of letters of bank guarantees. Maturity is December 31, 2023 and it is expected to be prolonged.

As at December 31, 2021 and 2020, 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, 2021	less than 1 year	over 1 year
Derivative financial liabilities (Note 33)	2,406.76	2,356.53	50.23
Financial liabilities in connection with joint operations	6.06	6.06	-
Other financial liabilities	411.50	362.89	48.61
<b>Total</b>	<b>2,824.32</b>	<b>2,725.48</b>	<b>98.84</b>

	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>

### Derivative financial liabilities

As of December 31, 2021, derivative financial liabilities are mainly related to unrealized power forward sales contracts.

### Other financial liabilities

As of December 31, 2021, "Other financial liabilities" line includes amounts payable related to realized swaps on crude oil and petroleum products and amounts due to employees in relation to salaries.

### 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):

<b>December 31, 2021</b>	<b>&lt; 1 year</b>	<b>1-5 years</b>	<b>&gt; 5 years</b>	<b>Total</b>
Interest-bearing debts	256.01	16.60	-	<b>272.61</b>
Lease liabilities	168.14	326.93	256.18	<b>751.25</b>
Trade payables	3,265.78	-	-	<b>3,265.78</b>
Derivative financial liabilities	2,356.53	50.23	-	<b>2,406.76</b>
Other financial liabilities	368.95	48.59	0.02	<b>417.56</b>
<b>Total</b>	<b>6,415.41</b>	<b>442.35</b>	<b>256.20</b>	<b>7,113.96</b>

<b>December 31, 2020</b>	<b>&lt; 1 year</b>	<b>1-5 years</b>	<b>&gt; 5 years</b>	<b>Total</b>
Interest-bearing debts	176.87	110.38	-	<b>287.25</b>
Lease liabilities	147.63	351.59	273.95	<b>773.17</b>
Trade payables	2,858.64	-	-	<b>2,858.64</b>
Derivative financial liabilities	472.64	-	-	<b>472.64</b>
Other financial liabilities	329.97	15.04	31.83	<b>376.84</b>
<b>Total</b>	<b>3,985.75</b>	<b>477.01</b>	<b>305.78</b>	<b>4,768.54</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

	<b>December 31, 2021</b>	<b>less than 1 year</b>	<b>over 1 year</b>
Tax liabilities	929.86	929.86	-
Social security	38.37	38.37	-
Contract liabilities	150.04	150.04	-
Deferred income	60.40	8.39	52.01
Other liabilities	39.76	39.76	-
<b>Total</b>	<b>1,218.43</b>	<b>1,166.42</b>	<b>52.01</b>

	<b>December 31, 2020</b>	<b>less than 1 year</b>	<b>over 1 year</b>
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>

### Tax liabilities

The increase in "Tax liabilities" is mainly due to higher Upstream segment specific taxes.

### 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:

	2021	2020
<b>January 1</b>	<b>143.63</b>	<b>145.44</b>
Revenue recognized that was included in the contract liability balance at the beginning of the year	(139.17)	(110.34)
Increases due to cash received, excluding amounts recognized as revenue during the year	145.58	108.53
<b>December 31</b>	<b>150.04</b>	<b>143.63</b>

## 18. DEFERRED TAX

	Deferred tax assets total	Deferred tax assets not recognized	Deferred tax assets recognized	Deferred tax liabilities
<b>December 31, 2021</b>				
Tangible and intangible assets	463.60	-	463.60	23.68
Inventories	29.81	-	29.81	-
Receivables and other assets	174.35	(38.48)	135.87	3.38
Provisions for pensions and similar obligations	32.27	-	32.27	5.10
Other provisions	859.55	-	859.55	-
Liabilities	49.27	-	49.27	-
Tax loss carried forward	-	-	-	-
<b>Total</b>	<b>1,608.85</b>	<b>(38.48)</b>	<b>1,570.37</b>	<b>32.16</b>
Netting (same tax jurisdiction/country)			(32.16)	(32.16)
<b>Total deferred tax, net</b>			<b>1,538.21</b>	<b>-</b>

	Deferred tax assets total	Deferred tax assets not recognized	Deferred tax assets recognized	Deferred tax liabilities
<b>December 31, 2020</b>				
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>

As at December 31, 2021, losses carry-forward for tax purposes amounted to RON 122.42 million (2020: RON 242.75 million). Eligibility of losses for carry-forward expires as follows:

	2021	2020
2021	–	22.17
2022	–	1.02
2023	–	10.82
2024	–	5.40
2025	–	15.01
2026 / After 2025	–	86.78
unlimited	122.42	101.55
<b>Total</b>	<b>122.42</b>	<b>242.75</b>

No deferred tax asset was recognized for tax losses carry-forward included in the above table, in amount of RON 122.42 million (2020: RON 230.20 million). As of December 31, 2020, the deferred tax asset recognized for part of tax losses carried-forward is included under "Assets held for sale".

## 19. SALES REVENUES

Revenues	2021	2020
Revenues from contracts with customers	25,540.79	18,120.39
Revenues from other sources	470.34	1,596.59
<b>Total sales revenues</b>	<b>26,011.13</b>	<b>19,716.98</b>

### Revenues from contracts with customers

In the following tables, revenues recorded in 2021 and 2020 are disaggregated by products and reportable segments.

2021	Upstream	Downstream	thereof Downstream Oil	thereof Downstream Gas	Corporate & Other	Total
Crude Oil, NGL, condensates	93.49	58.53	58.53	-	-	<b>152.02</b>
Natural gas, LNG and power	5.55	6,242.20	12.21	6,229.99	2.78	<b>6,250.53</b>
Fuels and heating oil	-	15,065.23	15,065.23	-	-	<b>15,065.23</b>
Other goods and services*	38.61	4,018.05	3,955.81	62.24	16.35	<b>4,073.01</b>
<b>Total</b>	<b>137.65</b>	<b>25,384.01</b>	<b>19,091.78</b>	<b>6,292.23</b>	<b>19.13</b>	<b>25,540.79</b>

2020	Upstream	Downstream	thereof Downstream Oil	thereof Downstream Gas	Corporate & Other	Total
Crude Oil, NGL, condensates	259.50	47.63	47.63	-	-	<b>307.13</b>
Natural gas, LNG and power	5.33	4,671.28	9.30	4,661.98	-	<b>4,676.61</b>
Fuels and heating oil	-	9,821.33	9,821.33	-	-	<b>9,821.33</b>
Other goods and services*	39.06	3,261.73	3,197.25	64.48	14.53	<b>3,315.32</b>
<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>

\*) Mainly in Downstream Oil related to non-fuel business and other petroleum products not included in categories above

### 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.

In 2021, revenues from other sources include mainly power sales within the scope of IFRS 9 Financial Instruments (after net realized losses from power forward contracts) amounting to RON 1,397.63 million (2020: RON 1,127.84 million) and net unrealized losses from fair valuation of power forward contracts amounting to RON 1,073.93 million (2020: RON 42.78 million).

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 2021 amount to RON 50.04 million (2020: RON 48.34 million).

## 20. OTHER OPERATING INCOME

	2021	2020
Exchange gains from operating activities	7.92	46.58
Gains on disposal of businesses, subsidiaries and non-current assets	72.02	52.79
Other operating income	105.53	329.58
<b>Total</b>	<b>185.47</b>	<b>428.95</b>

The line "Other operating income" in 2020 includes revenues from sales of CO<sub>2</sub> certificates in amount of RON 180.99 million and gains of RON 71.50 million from the fair value measurement of CO<sub>2</sub> certificates held for trading in Downstream.

## 21. NET INCOME/(LOSS) FROM INVESTMENTS IN ASSOCIATES

	2021	2020
Share of net result of associated companies	5.23	4.47
<b>Total</b>	<b>5.23</b>	<b>4.47</b>

## 22. OTHER OPERATING EXPENSES

	2021	2020
Exchange losses from operating activities	21.91	32.93
Losses on disposal of businesses, subsidiaries and non-current assets	32.71	11.54
Other operating expenses	197.96	303.99
<b>Total</b>	<b>252.58</b>	<b>348.46</b>

"Other operating expenses" line includes an amount of RON 72.90 million (2020: RON 110.47 million) representing restructuring expenses mainly in relation with outsourcing and reorganization in Upstream and an amount of RON 20.46 million (2020: RON 8.50 million) representing costs with digitalization initiatives at group level.

## 23. COST INFORMATION

For the years ended December 31, 2021 and December 31, 2020 the consolidated income statement includes the following personnel expenses:

	2021	2020
Wages and salaries	1,382.60	1,557.08
Other personnel expenses	220.66	263.75
<b>Total personnel expenses</b>	<b>1,603.26</b>	<b>1,820.83</b>

The above personnel expenses included the amount of RON 19.76 million, representing Group's contribution to state pension plan for the year ended December 31, 2021 (2020: RON 19.42 million).

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

	2021	2020
Depreciation and amortization	2,965.47	3,044.09
Impairment tangible and intangible assets	536.96	1,521.79
Write-ups tangible and intangible assets	(2.22)	(888.03)
<b>Total depreciation, amortization and net impairment</b>	<b>3,500.21</b>	<b>3,677.85</b>

Net impairment losses booked during the year ended December 31, 2021 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 529.38 million, reflecting mainly write-offs of exploration intangibles, unsuccessful workovers and obsolete or replaced assets in Romania. Net impairments in Downstream Oil segment were in amount of RON 4.86 million and in Downstream Gas segment in amount of RON 0.50 million.

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.

In the consolidated income statement for the year ended December 31, 2021 net impairments are included under depreciation, amortization, impairments and write-ups in amount of RON 433.94 million (2020: RON (48.03) million) and under exploration expenses in amount of RON 100.80 million (2020: RON 681.79 million).

## 24. INTEREST INCOME AND INTEREST EXPENSES

	2021	2020
<b>Interest income</b>		
Interest income from receivables and other	25.02	118.91
Interest income from short term bank deposits	109.49	146.23
Unwinding income for other financial assets and positive effect of changes in discount rate and timing for Romanian State receivable	26.18	72.19
<b>Total interest income</b>	<b>160.69</b>	<b>337.33</b>
<b>Interest expenses</b>		
Interest expenses	(29.03)	(24.23)
Unwinding expenses for retirement benefits provision	(7.13)	(10.60)
Unwinding expenses for decommissioning provision, net of the unwinding income for related Romanian State receivable	(205.13)	(234.53)
Unwinding expenses and discounting for other items and negative effect of changes in discount rate and timing for Romanian State receivable	(223.45)	(26.08)
<b>Total interest expenses</b>	<b>(464.74)</b>	<b>(295.44)</b>
<b>Net interest revenues/ (expenses)</b>	<b>(304.05)</b>	<b>41.89</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.

“Unwinding expenses and discounting for other items and negative effect of changes in discount rate and timing for Romanian State receivable” in 2021 relate mainly to effects of discounting of the receivable from the Romanian State, while the effects of discounting of such receivable in 2020 were positive and presented on interest income.

## 25. OTHER FINANCIAL INCOME AND EXPENSES

	2021	2020
Net foreign exchange gains/(losses) from financing activities	(2.91)	(27.07)
Other financial expenses	(3.79)	(3.21)
<b>Other financial income and expenses</b>	<b>(6.70)</b>	<b>(30.28)</b>

## 26. TAXES ON INCOME

	2021	2020
Current income taxes	(517.84)	(238.07)
Deferred income taxes	(15.84)	50.38
<b>Taxes on income - (expense)/revenue</b>	<b>(533.68)</b>	<b>(187.69)</b>

The reconciliation of net deferred tax is as follows:

	2021	2020
Deferred tax, net as at January 1	1,533.74	1,470.02
Deferred tax, net as at December 31	1,538.21	1,533.74
<b>Changes in deferred tax</b>	<b>4.47</b>	<b>63.72</b>
thereof deferred tax revenue / (expense) in consolidated other comprehensive income	15.01	(5.16)
thereof deferred tax related to "held for sale"	5.30	18.50
thereof deferred tax revenue / (expense) in the consolidated income statement	(15.84)	50.38
<b>Reconciliation</b>		
<b>Profit before tax</b>	<b>3,398.10</b>	<b>1,478.70</b>
Income tax rate applicable for Parent company	16%	16%
<b>Profit tax expense based on income tax rate of the Parent</b>	<b>(543.70)</b>	<b>(236.59)</b>
Effect of differing foreign tax rates	3.38	(1.20)
Profit tax expense based on applicable rates	(540.32)	(237.79)
Tax effect of items that are (non-deductible) / non-taxable	6.64	50.10
<b>Profit tax expense in the consolidated income statement</b>	<b>(533.68)</b>	<b>(187.69)</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, 2021	December 31, 2020
Net profit attributable to stockholders of the parent	2,864.34	1,290.96
Weighted average number of shares	56,643,903,559	56,643,903,559
Earnings per share in RON	0.0506	0.0228

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 Georgia. Starting with 14<sup>th</sup> of May 2021 when the sale of Kazakhstan subsidiaries was finalized, the Group ceased to have operational activities in 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, while through filling stations networks offers also a variety of services and non-oil business (NOB) goods. **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, 2021	Upstream	Downstream *	Downstream Oil	Downstream Gas	Downstream elimination	Corporate & Other	Total	Consolidation	Consolidated total
Intersegment sales	9,082.76	161.28	48.01	264.15	(150.88)	169.74	<b>9,413.78</b>	(9,413.78)	-
Sales with third parties	144.53	25,831.86	19,215.93	6,615.93	-	34.74	<b>26,011.13</b>	-	<b>26,011.13</b>
<b>Total sales</b>	<b>9,227.29</b>	<b>25,993.14</b>	<b>19,263.94</b>	<b>6,880.08</b>	<b>(150.88)</b>	<b>204.48</b>	<b>35,424.91</b>	<b>(9,413.78)</b>	<b>26,011.13</b>
<b>Operating result</b>	<b>1,660.22</b>	<b>2,409.94</b>	<b>2,663.18</b>	<b>(253.24)</b>	-	<b>(98.61)</b>	<b>3,971.55</b>	<b>(262.70)</b>	<b>3,708.85</b>
Total assets**	21,241.65	7,127.50	5,779.64	1,347.86	-	384.44	<b>28,753.59</b>	-	<b>28,753.59</b>
Additions in PPE/IA	2,126.86	778.56	766.33	12.23	-	18.19	<b>2,923.61</b>	-	<b>2,923.61</b>
Depreciation and amortization	2,027.73	895.82	764.71	131.11	-	41.92	<b>2,965.47</b>	-	<b>2,965.47</b>
Impairment losses/ (write-ups), net	529.38	5.36	4.86	0.50	-	-	<b>534.74</b>	-	<b>534.74</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, 2021	Romania	Rest of Central Eastern Europe	Rest of Europe	Rest of world	Consolidated total
Sales with third parties*	21,650.01	4,331.60	10.88	18.64	<b>26,011.13</b>
Total assets**	27,795.94	951.52	-	6.13	<b>28,753.59</b>
Additions in PPE/IA	2,835.97	80.78	-	6.86	<b>2,923.61</b>

\*) Sales are allocated per countries/regions based on the location where the risks and benefits are transferred to the customer;

\*\*) Intangible assets (IA), property, plant and equipment (PPE).

Sales with third parties made in Rest of Central Eastern Europe include sales made in Bulgaria amounting to RON 1,942.28 million in 2021.

**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>-</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.

**29. AVERAGE NUMBER OF EMPLOYEES**

	December 31, 2021	December 31, 2020
<b>Total OMV Petrom Group</b>	<b>8,852</b>	<b>11,791</b>
thereof:		
OMV Petrom S.A.	8,271	10,949
Subsidiaries	581	842

The number of employees was calculated as the average of the month's end number of employees during the year.

The decrease in the number of employees was a result of outsourced activities, divestments and of reorganization and restructuring programs as a consequence of process optimization and cost efficiency measures.

### 30. RELATED PARTIES

The terms of the outstanding balances receivable from/payable to related parties are typically 0 to 60 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, 2021 and December 31, 2020.

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

During 2021, OMV Petrom Group had the following transactions with related parties, including balances as of December 31, 2021:

	Nature of transactions	Purchases	Balances payable
<b>OMV Petrom S.A. - parent company</b>			
OMV Gas Marketing & Trading GmbH	Acquisition of natural gas and other	963.15	175.27
OMV Supply & Trading Limited	Acquisition of crude oil and petroleum products	884.15	1.10
OMV Petrom Global Solutions S.R.L.	Financial, bookkeeping, IT support and other services	470.67	64.16
OMV Exploration & Production GmbH	Delegation of personnel and other	99.56	27.49
OMV Downstream GmbH	Acquisition of petroleum products, other materials and services	63.83	20.55
OMV Aktiengesellschaft	Delegation of personnel and other	32.94	39.68
OMV Enerji Ticaret Anonim Şirketi	Acquisition of liquefied natural gas (LNG)	0.90	0.52
OMV Gas & Power GmbH	Delegation of personnel and other	0.81	0.13
OMV Abu Dhabi Production GmbH	Various services	0.41	0.41
OMV International Oil & Gas GmbH	Delegation of personnel	0.39	0.39
OMV New Zealand Limited	Various services	0.12	0.18
OMV - International Services Ges.m.b.H.	Various services	0.01	-
<b>Total OMV Petrom S.A.</b>		<b>2,516.94</b>	<b>329.88</b>
<b>OMV Petrom Group subsidiaries</b>			
OMV Downstream GmbH	Acquisition of petroleum products, other materials and services	188.55	36.78
OMV Petrom Global Solutions S.R.L.	Financial, bookkeeping, IT support and other services	70.45	9.66
OMV Hungária Ásványolaj Korlátolt Felelősségű Társaság	Acquisition of bitumen	34.70	0.56
OMV - International Services Ges.m.b.H.	Various services	8.12	60.85
Borealis L.A.T GmbH	Acquisition of materials	5.88	2.81
OMV Exploration & Production GmbH	Delegation of personnel and other	0.97	-
OMV Aktiengesellschaft	Delegation of personnel and other	0.93	0.05
Borealis Agrolinz Melamine GmbH	Various services	0.12	0.04
OMV Česká republika, s.r.o.	Delegation of personnel	0.06	-
<b>Total subsidiaries</b>		<b>309.78</b>	<b>110.75</b>
<b>Total OMV Petrom Group</b>		<b>2,826.72</b>	<b>440.63</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	400.23	143.52
OMV Deutschland Marketing & Trading GmbH & Co. KG	Sales of propylene and petroleum products	357.28	62.04
OMV Downstream GmbH	Sales of petroleum products, delegation of personnel and other	181.73	14.74
OMV Supply & Trading Limited	Sales of petroleum products	58.97	-
OMV Exploration & Production GmbH	Delegation of personnel and other	26.09	4.08
OMV Petrom Global Solutions S.R.L.	Various services	22.92	2.92
OMV Aktiengesellschaft	Delegation of personnel and other	11.69	2.79
Borealis AG	Sales of propylene	10.88	-
Borealis L.A.T Romania s.r.l.	Various sales and services	0.18	0.01
Petrom Exploration & Production Limited	Various services	0.01	-
<b>Total OMV Petrom S.A.</b>		<b>1,069.98</b>	<b>230.10</b>
<b>OMV Petrom Group subsidiaries</b>			
OMV Petrom Global Solutions S.R.L.	Various services	1.97	0.10
OMV Downstream GmbH	Delegation of personnel and other	1.55	1.06
OMV Česká republika, s.r.o.	Delegation of personnel	0.85	-
Borealis L.A.T Romania s.r.l.	Various services	0.09	-
OMV Exploration & Production GmbH	Delegation of personnel	0.05	-
OMV - International Services Ges.m.b.H.	Various services	0.02	22.58
<b>Total subsidiaries</b>		<b>4.53</b>	<b>23.74</b>
<b>Total OMV Petrom Group</b>		<b>1,074.51</b>	<b>253.84</b>

The above transactions and balances do not include amounts related to loans received by OMV Petrom Group from related parties.

During 2021, OMV Petrom Group had the following interest expenses with related parties, including balances as of December 31, 2021 for interest payable:

	Interest expense	Balances interest payable
<b>OMV Petrom S.A. - parent company</b>		
OMV Petrom Global Solutions S.R.L.	2.00	0.28
<b>Total OMV Petrom S.A.</b>	<b>2.00</b>	<b>0.28</b>
<b>Total OMV Petrom Group</b>	<b>2.00</b>	<b>0.28</b>

The balance payable to OMV Petrom Global Solutions S.R.L. in relation to cash pooling agreement is presented in Note 15b).

There were no interest income and interest receivables with related parties in 2021.

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, bookkeeping, IT support 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	Acquisition of petroleum products, other materials 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	Acquisition of petroleum products, other materials and services	92.74	16.06
OMV Petrom Global Solutions S.R.L.	Financial, bookkeeping, IT support 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	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 S.R.L.	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	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>

The above transactions and balances do not include amounts related to loans received by OMV Petrom Group from related parties.

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>

The balance payable to OMV Petrom Global Solutions S.R.L. in relation to cash pooling agreement is presented in Note 15b).

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.

### 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:

<https://www.omv.com/en/investor-relations/publications>

### Key management remuneration

For 2021, 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 (2020: 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 (2020: 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 (2020: EUR 2,000 per meeting).

As at December 31, 2021 and 2020, there were no loans or advances granted by any of the Group companies to the members of the Supervisory Board. As at December 31, 2021 and 2020, 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 2021 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 66.69 million (2020: RON 69.40 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 car company, accident and liability insurance.

### 31. DIRECT AND INDIRECT INVESTMENTS OF OMV PETROM GROUP WITH AN INTEREST OF AT LEAST 20% AS OF DECEMBER 31, 2021

Company Name	Share interest percentage	Consolidation treatment**	Activity	Country of incorporation
<b>Subsidiaries (&gt;50%)</b>				
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 Georgia LLC	100.00%	FC	Exploration and production services	Georgia
OMV Petrom Gas S.R.L.	100.00%	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 May 14, 2021, OMV Petrom S.A. completed the sale of its 100% owned subsidiaries in Kazakhstan, Tasbulat Oil Corporation LLP and Kom Munai LLP, to Magnetic Oil Limited. The subsidiaries were deconsolidated starting with the divestment date.

On May 21, 2021, OMV Petrom Georgia LLC was incorporated in Georgia following the signing of a Production Sharing Contract between OMV Petrom S.A. and the State of Georgia in relation to the exploration offshore Block II from Georgia. The new subsidiary of OMV Petrom S.A. is fully consolidated in the group financial statements at end of 2021.

On December 15, 2021, OMV Petrom S.A. acquired the remaining 0.01% interest in the subsidiary OMV Petrom Gas S.R.L., reaching the ownership of 100% in this subsidiary.

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>January 1, 2021</b>	<b>283.97</b>	<b>680.39</b>	<b>964.36</b>
Repayments of interest bearing debts and principal portion of lease liabilities	(93.49)	(158.29)	<b>(251.78)</b>
Increase in interest bearing debts	78.86	-	<b>78.86</b>
<b>Total cash flows relating to financing activities</b>	<b>(14.63)</b>	<b>(158.29)</b>	<b>(172.92)</b>
Lease liabilities recognized during the year	-	135.23	<b>135.23</b>
Net other changes	2.21	2.40	<b>4.61</b>
<b>Total non-cash changes</b>	<b>2.21</b>	<b>137.63</b>	<b>139.84</b>
<b>December 31, 2021</b>	<b>271.55</b>	<b>659.73</b>	<b>931.28</b>
thereof short-term	255.06	158.32	<b>413.38</b>
thereof long-term	16.49	501.41	<b>517.90</b>

	Interest-bearing debts	Lease liabilities	Total
<b>January 1, 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)	<b>(222.11)</b>
Increase in interest bearing debts	41.55	-	<b>41.55</b>
<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	<b>118.61</b>
Net other changes	4.09	(8.85)	<b>(4.76)</b>
<b>Total non-cash changes</b>	<b>4.09</b>	<b>109.76</b>	<b>113.85</b>
<b>December 31, 2020</b>	<b>283.97</b>	<b>680.39</b>	<b>964.36</b>
thereof short-term	175.03	137.33	<b>312.36</b>
thereof long-term	108.94	543.06	<b>652.00</b>

### b) Proceeds in relation to non-current assets

In 2021, proceeds in relation to non-current assets include the amount of RON 37.61 million representing the encashment by OMV Petrom S.A. from the last two tranches of the government grant for Brazi power plant investment (2020: RON 140.19 million related to the third tranche). For details please see Note 9 b).

### c) Transfer of business

On December 1, 2021, OMV Petrom S.A. closed the transfer of 40 marginal onshore oil and gas fields to Dacian Petroleum S.R.L..

<b>Net assets at the date of transfer</b>	<b>2021</b>
Intangible assets and property, plant and equipment	219.12
Provisions for decommissioning and restoration obligations	(156.86)
Other adjustments related to items transferred	1.81
<b>Net assets</b>	<b>64.07</b>
<b>Gain/(loss) on transfer of business</b>	
Proceeds on transfer of business	66.68
Net assets disposed of	(64.07)
<b>Gain on transfer of business</b>	<b>2.61</b>
<b>Net cash flow from transfer of business</b>	
Proceeds on transfer of business	66.68
Deferred consideration	(23.68)
<b>Net cash inflow on transfer of business</b>	<b>43.00</b>

During 2020 OMV Petrom Group did not transfer any business.

### d) Disposal of Group companies

On May 14, 2021, OMV Petrom S.A. completed the sale of its 100% owned subsidiaries in Kazakhstan, Kom-Munai LLP and Tasbulat Oil Corporation LLP, to Magnetic Oil Limited.

<b>Net assets at the date of sale</b>	<b>2021</b>
<b>Assets</b>	
Intangible assets	6.44
Property, plant and equipment	510.93
Deferred tax assets	2.86
Inventories	27.94
Trade receivables	15.54
Other financial assets	36.69
Other assets	18.02
Cash and cash equivalents	26.36

<b>Liabilities</b>	
Provisions	(86.16)
Lease liabilities	(4.75)
Deferred tax liabilities	(27.01)
Trade payables	(14.01)
Other financial liabilities	(4.67)
Other liabilities	(10.66)
<b>Net assets and loans sold</b>	<b>497.52</b>
<b>Gain/(loss) on sales of subsidiaries</b>	<b>2021</b>
Proceeds from sale	560.22
Net assets and loans sold	(497.52)
Recycling of currency translation reserves on sale of subsidiaries	(90.92)
<b>Loss on sale of subsidiaries</b>	<b>(28.22)</b>
<b>Net cash flow from sale of subsidiaries</b>	
Proceeds from sale	560.22
Advance received in prior year	(71.59)
Subsidiaries' cash at the date of sale	(26.36)
<b>Proceeds from sale of subsidiaries, net of cash disposed</b>	<b>462.27</b>

In 2020, OMV Petrom Group did not dispose of any subsidiary.

### e) Exploration cash-flows

The amount of cash outflows in relation to exploration activities incurred by OMV Petrom Group for the year ended December 31, 2021 is of RON 239.71 million (2020: RON 253.70 million), out of which the amount of RON 106.70 million is related to operating activities (2020: RON 144.58 million) and the amount of RON 133.01 million represents cash outflows for exploration investing activities (2020: RON 109.12 million).

### f) 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.

### g) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash at banks and on hand	375.53	303.15
Short-term deposits	9,947.12	7,147.49
<b>Cash and cash equivalents</b>	<b>10,322.65</b>	<b>7,450.64</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, as well as trade receivables 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 as at December 31, 2021

	Level 1	Level 2	Level 3	Total
Trade receivables	-	61.86	-	<b>61.86</b>
Derivatives designated and effective as hedging instruments	-	21.10	-	<b>21.10</b>
Other derivatives	-	1,534.99	-	<b>1,534.99</b>
<b>Total</b>	<b>-</b>	<b>1,617.95</b>	<b>-</b>	<b>1,617.95</b>

#### Fair value hierarchy of financial liabilities as at December 31, 2021

	Level 1	Level 2	Level 3	Total
Derivatives designated and effective as hedging instruments	-	(42.56)	-	<b>(42.56)</b>
Other derivatives	-	(2,364.20)	-	<b>(2,364.20)</b>
<b>Total</b>	<b>-</b>	<b>(2,406.76)</b>	<b>-</b>	<b>(2,406.76)</b>

#### 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>

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, 2021 and December 31, 2020, 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.

<b>December 31 2021</b>			
<b>Financial liabilities</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Difference</b>
Interest-bearing debts	272.41	271.55	0.86
<b>Total</b>	<b>272.41</b>	<b>271.55</b>	<b>0.86</b>

<b>December 31 2020</b>			
<b>Financial liabilities</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Difference</b>
Interest-bearing debts	286.66	283.97	2.69
<b>Total</b>	<b>286.66</b>	<b>283.97</b>	<b>2.69</b>

#### Offsetting of financial assets and liabilities

According to IAS 32, 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. When the offsetting criteria mentioned in IAS 32 are met, corresponding financial assets and liabilities are presented net in the consolidated statement of the financial position.

During 2021 OMV Petrom Group has updated its assessment of IAS 32 netting criteria further to a legal assessment of the major agreements in place.

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 2021

	<b>Gross amounts</b>	<b>Amounts set-off in the statement of financial position</b>	<b>Net amounts presented in the statement of financial position*</b>	<b>Assets available to set-off** (not offset)</b>	<b>Net amounts</b>
Derivative financial instruments	1,945.31	(389.22)	1,556.09	(349.31)	1,206.78
Trade receivables	2,866.35	(225.67)	2,640.68	(6.81)	2,633.87
Other financial assets	345.91	(6.15)	339.76	(78.18)	261.58
<b>Total</b>	<b>5,157.57</b>	<b>(621.04)</b>	<b>4,536.53</b>	<b>(434.30)</b>	<b>4,102.23</b>

\*) Net amounts presented in the statement of financial position are detailed in Note 9.

\*\*) Assets not offset as the criteria from IAS 32 is not fulfilled.

**Offsetting of financial liabilities 2021**

	Gross amounts	Amounts set-off in the statement of financial position	Net amounts presented in the statement of financial position*	Liabilities available to set-off** (not offset)	Net amounts
Derivative financial instruments	2,795.98	(389.22)	2,406.76	(349.31)	2,057.45
Trade payables	3,491.45	(225.67)	3,265.78	(6.81)	3,258.97
Other financial liabilities	417.65	(6.15)	411.50	(78.18)	333.32
<b>Total</b>	<b>6,705.08</b>	<b>(621.04)</b>	<b>6,084.04</b>	<b>(434.30)</b>	<b>5,649.74</b>

\*) Net amounts presented in the statement of financial position are detailed in Note 16.

\*\*) Liabilities not offset as the criteria from IAS 32 is not fulfilled.

**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 available to 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.

\*\*) Assets not offset as the criteria from IAS 32 is not fulfilled.

**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 available to 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.

\*\*) Liabilities not offset as the criteria from IAS 32 is not fulfilled.

**34. COMMITMENTS AND CONTINGENCIES****Commitments**

As at December 31, 2021 the total commitments engaged by OMV Petrom Group for investments (except those in relation to joint arrangements) are in amount of RON 1,003.65 million (2020: RON 796.26 million), out of which RON 816.88 million related to property, plant and equipment (2020: RON 623.75 million) and RON 186.77 million for intangible assets (2020: RON 172.51 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, 2021 and 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 OOD 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. There were no additional requests from authorities in 2021, but the investigation is not yet finalized. 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, mainly under credit facilities granted by banks, without cash collateral, in amount of RON 260.81 million as at December 31, 2021 (2020: RON 371.84 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, 2021 is amounting RON 45.55 million (2020: RON 44.73 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 9,391.37 million at December 31, 2021 (2020: RON 6,486.28 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. Please refer to Note 2 for more details on effects of climate change risk.

### 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 remained 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 2021 OMV Petrom S.A. concluded margin hedges in relation to highly probable sales of gasoline and stock hedges in relation to crude oil inventory purchased, using swaps instruments.

During 2020 OMV Petrom S.A. concluded stock hedges in relation to oil inventory purchases and it discontinued most of the refinery margin hedges which had been concluded in 2019, due to the change in the risk management objective.

In case of refinery margin hedges for gasoline, 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 gasoline 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, which had been concluded in 2019 with maturities during 2020 and 2021, forecast sales and purchase transactions for fuel oil and oil products are designated as the hedged items.

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

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

	Forecast purchases	Forecast sales	Total
<b>2021</b>			
Nominal value	-	631.84	<b>631.84</b>
Below one year	-	631.84	<b>631.84</b>
More than one year	-	-	-
Fair value - assets	-	21.10	<b>21.10</b>
Fair value - liabilities	-	42.56	<b>42.56</b>
Cash flow hedge reserve (before tax)	-	(21.46)	<b>(21.46)</b>
<b>2020</b>			
Nominal value	91.87	147.85	<b>239.72</b>
Below one year	91.87	147.85	<b>239.72</b>
More than one year	-	-	-
Fair value - assets	-	16.33	<b>16.33</b>
Fair value - liabilities	14.18	5.40	<b>19.58</b>
Cash flow hedge reserve (before tax)	(14.18)	10.93	<b>(3.25)</b>

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

	Forecast purchases	Forecast sales	Total
<b>2021</b>			
Cash flow hedge reserve as of January 1, 2021 (net of tax)	(11.91)	86.27	<b>74.36</b>
Gains/(losses) recognized in OCI	57.22	(131.60)	<b>(74.38)</b>
Amounts reclassified to income statement	-	7.43	<b>7.43</b>
Amounts transferred to cost of non-financial item	(43.04)	-	<b>(43.04)</b>
Tax effects	(2.27)	19.87	<b>17.60</b>
<b>Cash flow hedge reserve as of December 31, 2021 (net of tax)</b>	<b>-</b>	<b>(18.03)</b>	<b>(18.03)</b>
Hedge ineffectiveness recognized in income statement	-	(2.78)	<b>(2.78)</b>
	Forecast purchases	Forecast sales	Total
<b>2020</b>			
Cash flow hedge reserve as of January 1, 2020 (net of tax)	22.48	5.22	<b>27.70</b>
Gains/(losses) recognized in OCI	(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 December 31, 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>

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 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:

	RON equivalent of EUR denominated balances (million)		RON equivalent of USD denominated balances (million)	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Assets	1,484.61	610.15	227.14	986.76
Liabilities	1,551.71	1,140.62	393.17	930.40
<b>Net assets/(liabilities) in statement of financial position</b>	<b>(67.10)</b>	<b>(530.47)</b>	<b>(166.03)</b>	<b>56.36</b>
Adjustments for foreign currency derivatives	(16.06)	22.58	169.17	(22.11)
<b>Net currency exposure</b>	<b>(83.16)</b>	<b>(507.89)</b>	<b>3.14</b>	<b>34.25</b>

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

	Impact for EUR denominated items, in million RON (i)		Impact for USD denominated items, in million RON (ii)	
	2021	2020	2021	2020
Profit/ (Loss)	(8.32)	(50.79)	2.46	3.76
Other comprehensive income	-	-	(2.15)	(0.33)

#### -10% decrease in the foreign currencies rates

	Impact for EUR denominated items, in million RON (i)		Impact for USD denominated items, in million RON (ii)	
	2021	2020	2021	2020
Profit/ (Loss)	8.32	50.79	(2.46)	(3.76)
Other comprehensive income	-	-	2.15	0.33

(i). This is mainly attributable to the exposure to EUR of trade receivables, derivative financial assets, lease liabilities, derivative financial liabilities and trade payables at the year-end.

(ii) This is mainly attributable to the exposure to USD of other financial assets, cash and cash equivalents, other financial liabilities and trade payables at the year-end.

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, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Short term borrowings	254.33	173.97	2.54	1.74
Long term borrowings	16.49	108.98	0.16	1.09

In 2021 and 2020, 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 times and retains the necessary financial flexibility, liquidity reserves in form of deposits and committed credit lines are maintained. The maturity profile of the Group financial liabilities is presented in Note 16.

## 37. EXPENSES GROUP AUDITOR

In 2021 the statutory auditor Ernst & Young Assurance Services SRL had a contractual statutory audit fee of EUR 537,535 (2020: EUR 545,000) 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 112,510 (2020: EUR 128,920), 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 68,167 (2020: EUR 153,900) 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 28,942 (2020: EUR 5,946).

## 38. SUBSEQUENT EVENTS

In the context of the conflict between Russia and Ukraine, started on February 24, 2022, the European Union, United States of America, United Kingdom and other countries imposed various sanctions for Russia, including financing restrictions on certain Russian banks and state-owned companies. While OMV Petrom Group does not have operations in Ukraine or in Russia, it monitors the geopolitical developments on a continuous basis and regularly reviews the potential impact on its business activities. Disruptions in Russian commodity flows to Europe could result in further increases in European energy prices and accelerate the risk of cost inflation. The above does not have any impact on OMV Petrom Group financial statements for the year ended December 31, 2021. At the date of these financial statements it is not possible to reliably estimate the impact on the financial position and results of the Group for future periods.

These consolidated financial statements, 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, 2022.

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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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Herbert Hackl  
Vice President Controlling  
Department

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Nicoleta Drumea  
Head of Financial Reporting

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

In 2021, 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 were presented for Supervisory Board examination in a timely manner. Ernst & Young Assurance Services SRL audited the 2021 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 will issue an 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, 2021.

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, 2022.

Furthermore, we have reviewed and approved the separate report on payments to governments for the year 2021, 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.

Bucharest, March 17, 2022

Alfred Stern

President of the Supervisory Board

## Appendix 1

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

#### Overview of the Company's nature

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

As at December 31, 2021, 21.35% stake of the Company's capital represented 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, 2021 was RON 28,265,410,059.

The Company is the parent company of OMV Petrom Group ("the Group"). Separate individual financial statements for the year ended December 31, 2021 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: Exploration & Production, Refining & Marketing and Gas & Power, while the management, the financing activities and certain service functions are concentrated in the Corporate & Other segment<sup>i</sup>.

As at December 31, 2021 and 2020 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, 2021 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>

<sup>i</sup> Starting with January 1, 2022, OMV Petrom's business segments were renamed as follows: Upstream to Exploration & Production; Downstream Oil to Refining & Marketing, and Downstream Gas to Gas & Power.

As of December 31, 2021 the number of GDRs was 111,494, equivalent of 16,724,100 ordinary shares, representing 0.030% of the share capital.

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.

## 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, 2021 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.

On May 14, 2021, OMV Petrom S.A. completed the sale of its 100% owned subsidiaries in Kazakhstan, Tasbulat Oil Corporation LLP and Kom Munai LLP, to Magnetic Oil Limited. The subsidiaries were deconsolidated starting with the divestment date.

OMV Petrom Georgia LLC, a new subsidiary of OMV Petrom S.A. incorporated in Georgia, is fully consolidated in the group financial statements starting with Q3/21.

On December 15, 2021, OMV Petrom S.A. acquired the remaining 0.01% interest in the subsidiary OMV Petrom Gas S.R.L., reaching the ownership of 100% in this subsidiary.

### d) Asset acquisitions and/or alienation

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. The transaction was closed in December 2021. In addition, the outsourcing of non-core activities (e.g. latest main outsourcing project referring to workover activities finalized in August 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.

### e) Overview of the main results of the company

Our 2021 financial performance was outstanding. Our operating cash flow reached RON 6.4 bn, 18% higher yoy. In turn, our CAPEX was down by 3% yoy, as we remained cautious in a highly volatile demand and pricing environment. Higher commodity prices and refining margins, combined with excellent asset utilization and increased energy demand acted as tailwinds for the results of all of our business segments, and this, against

the headwinds of lower hydrocarbon production, cost inflation and increased Upstream taxation, mostly for gas. Our 2021 Operating Result more than doubled yoy, still it was below the 2019 level. Yet our contribution to the Romanian state budget reached an all-time record, at RON 12.0 bn, in the context of significantly higher energy prices. We remain advocates for addressing the regulatory challenges and the implementation of appropriate measures to protect vulnerable consumers.

Our excellent results were also reflected in our share price performance, 37% up yoy, outperforming other peers and local indices. The total shareholder return was 46%, strongly supported by the share price appreciation and also by a competitive dividend yield. Share liquidity went up by 9% yoy.

### 1.1.1 General evaluation elements

Item, RON mn	2021	2020	2019
Net income	2,688	1,382	3,564
Net turnover	21,486	15,437	19,944
Operating Result	3,366	1,499	4,017
Operating expenses	18,647	15,011	16,769
Liquidity (cash and cash equivalents)	10,054	7,305	6,795

In 2021, OMV Petrom's Operating Result amounted to RON 3,366 mn, compared to RON 1,499 mn in 2020, driven mainly by the favorable market environment. The Group's performance in 2020 was negatively impacted by the lower prices and the COVID-19 crisis,

as well as 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	2021	2020	2019
Romania	20,543	15,239	19,641
Rest of CEE	932	193	252
Rest of Europe	11	-	42
Rest of world	-	5	9
<b>TOTAL</b>	<b>21,486</b>	<b>15,437</b>	<b>19,944</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;
- ▶ 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 over 40% 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). Following full gas market liberalization in July 2020, OMV Petrom had no further obligation to supply the gas regulated market in 2021 (vs. 7 TWh in H1/20, at the fixed price of RON 68/MWh). 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 787 fuel filling stations as of end-2021, of which 561 filling stations in Romania and the other 226 in the neighboring countries: Bulgaria, Serbia and the Republic of Moldova. Retail market share<sup>ii</sup> in the operating region slightly decreased at 31%, versus the previous year, given the network optimization and increased competition.

- ▶ **Electricity:** OMV Petrom owns and operates the combined cycle Brazi power plant. 2021 was yet another excellent year for our power business. Brazi power plant exceeded the 2020 record of net electrical output, generating 4.8 TWh in 2021 and covering a record high 8% of the national power generation mix (2020: 7%). Furthermore, looking at Q4/21 alone, the power plant covered 11% of the power production in Romania, a very significant contribution and the highest quarterly contribution since the start of operations. With the annual planned shutdown completed in April 2021, on time, on budget and with no HSSE incidents, the power plant had a technical availability of 95% (similar to 2020). For the delivery of the power, OMV Petrom uses the national power grid of Transelectrica.

### c) Analysis of various revenues types

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

Item	Total value – RON mn			Share in revenues (%)		
	2021	2020	2019	2021	2020	2019
Operating revenues *	22,028	16,510	20,789	97	98	98
thereof Turnover	21,486	15,437	19,944	-	-	-
Financial revenues **	753	378	409	3	2	2
<b>TOTAL</b>	<b>22,781</b>	<b>16,888</b>	<b>21,199</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

OMV Petrom has made a first step into a new type of activity in 2021, when it completed the first LNG delivery in Romania. This delivery implied coordinating and managing for the first time a complex process in which several partner companies were involved, while being compliant with all safety measures. Thus, two separate transports of two tankers each fed the tank of the first

LNG operated ship built in Romania. While not significant in terms of LNG volumes, this transaction proved the potential for the LNG development in Romania as LNG has multiple applications in power production, transportation, and industry, and can be a contributor to Romania's emissions reduction targets.

In 2020, there were no new products launched.

<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).

### 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 2021, OMV Petrom processed 1,081 thousand tons imported crude oil (2020: 691 thousand tons).

### 1.1.4. Overview of the sale activity

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

Turnover per segments of activity, RON mn	Year ended December 31		
	2021	2020	2019
Upstream	54	55	70
Downstream Oil	14,750	9,505	13,503
Downstream Gas	6,643	5,842	6,335
Corporate and Other	39	35	36
<b>Total</b>	<b>21,486</b>	<b>15,437</b>	<b>19,944</b>

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

The Company's turnover in 2021 increased by 39% compared to 2020, to RON 21,486 mn. Turnover increased mainly supported by higher sales of petroleum products in terms of both prices and volumes, partially offset by lower sales volumes of natural gas and electricity.

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		
	2021	2020	2019
Upstream	145	310	481
Downstream Oil	19,216	13,565	18,237
Downstream Gas	6,616	5,812	6,737
Corporate and Other	35	30	30
<b>Total</b>	<b>26,011</b>	<b>19,717</b>	<b>25,485</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 %		
	2021	2020	2019	21/20	20/19	19/18
Total refined product sales (kt)	5,339	4,993	5,462	7	(9)	10
thereof retail sales (kt)	2,944	2,619	2,847	12	(8)	4
Gas sales (TWh)	49	57	55	(14)	4	16
thereof to third parties (TWh)	38.4	47.7	47.2	(20)	1	21
Brazi net electrical output (TWh)	4.8	4.1	3.4	15	23	(11)

OMV Petrom Group's total refined product sales amounted to 5,339 kt in 2021, representing a 7% increase compared to 2020.

Group retail sales volumes were 12% higher than in 2020, reaching 2,944 kt, indicating the return to a normal level of activity. In Romania, retail sales reached 2,517 kt in 2021, 12% higher than in 2020. Therefore, in 2021, the average throughput per station in Romania increased to 5.48 mn liters (2020: 4.88 mn liters), driving the overall increase of this indicator at the Group level to 4.57 mn liters (2020: 4.03 mn liters).

In 2021, the non-retail business continued to be a strong contributor to the overall OMV Petrom result. The commercial sales business reached the highest level in the past 10 years, capitalizing on market opportunities, improved processes and effective cost management. Jet fuel sales continued the positive trend started at the end of 2020, although not reaching yet the 2019 reference level, being still affected by partial mobility restrictions across Europe. A strong focus remained on digitalization, operational excellence and customer centricity, in line with company strategy.

Overall, group non-retail sales increased by 1% compared to 2020, reflecting the partial recovery of the aviation business and market opportunities in commercial, as well as the lower exports. In Romania, non-retail sales were 976 kt, 8% over the previous year's level.

In 2021, the most impactful regulation for our business continued to be the Gas Release Program (GRP), that introduced, starting in June 2020, the obligation for gas producers to offer a defined percentage of their production, as different products (monthly, quarterly, seasonal, annual) with starting prices referenced to market prices in the past periods for similar products.

This committed a large proportion of our gas volumes available for sale and posed a high challenge to our portfolio optimization initiatives. Nevertheless, we have complied with the offering obligation in every month of 2021.

In 2021, on the Romanian centralized markets, the traded gas volumes covering a variety of standard products for medium and long term totaled 40.8 TWh (with delivery until end-2022), at an average price of RON 203/MWh<sup>iii</sup>.

In 2021, our gas sales performance followed our strategy to focus on profitable volumes. OMV Petrom's total gas sales volumes decreased by 14% yoy to 48.94 TWh, from the historically highest sales volume recorded in 2020. As a reminder, 2020 was impacted by regulatory driven sales obligations, no longer applicable in 2021. Sales volume decline occurred also in the context of a lower supply in 2021, given the decreasing equity production and also the prevailing challenging market prices for the gas acquisitions from third parties. In 2021, our efforts to preserve our customer portfolio proved successful despite the challenging market environment, with record-high gas prices and a generally volatile gas market, an environment that placed large pressure on any market participant, especially on the customers' side, to maintain the competitiveness of their business.

Following full gas market liberalization in July 2020, OMV Petrom had no further obligation to supply the regulated gas market in 2021 (vs. 7 TWh in H1/20, at the fixed price of RON 68/MWh).

In 2021, OMV Petrom concluded significant sale transactions on the centralized markets, with a total gas volume of 13 TWh contracted for deliveries until end-2022, at an average price in line with market prices.

<sup>iii</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.

Some of these transactions were completed within the GRP framework, pursuant to our offering obligation.

As always, we have focused on collaborating with our end-user customers to manage the significant market challenges, particularly in terms of the evolution of energy prices. We have continued to play our role not only as an energy supplier, but also as a reliable business partner, willing to find innovative, mutually-beneficial solutions.

In order to further strengthen our end-user portfolio and expand it beyond our traditional markets, in 2021 we launched the Utilio digital platform, intended to offer our products to the small and medium enterprises, with an end-goal of building a sustainable foothold in this market segment, where we had not been traditionally active before. While it is still early to measure its success, the competitiveness of the offers, the simplicity of the contracting process and its many features should make the platform an attractive one for its intended audience and help us reach this large market segment.

At the end of 2021, OMV Petrom had 1.3 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 always committed to ensure security of supply for its entire customer portfolio, therefore optimizing the stored gas volumes will always remain one of our main objectives.

On the power market, as per currently available data from the grid operator, national electricity consumption increased by 5% to 61 TWh in 2021 (2020: 58 TWh). The national electricity production also increased by 6%, to 59 TWh (2020: 55 TWh). This higher power generation in 2021 was covered by significantly increased production from hydro sources in the context of good national hydraulicity, higher production from coal and slightly higher production from natural gas. Market coupling continued to play an important role in 2021 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 reached a record high level since its start of operations, averaging RON 547/MWh in 2021 (increased by approximately 187% vs. 2020). The increase was even more dramatic in the second half of the year, with Q4/21 prices over four times higher yoy, the trend and scale not being isolated, but reflecting the European market trends.

2021 was yet another excellent year for our power business. Brazi power plant exceeded the 2020 record of

net electrical output, generating 4.8 TWh in 2021 and covering a record high 8% of the national power generation mix (2020: 7%). Furthermore, looking at Q4/21 alone, the power plant covered 11% of the power production in Romania, a very significant contribution and the highest quarterly contribution since the start of operations. With the annual planned shutdown completed in April 2021, on time, on budget and with no HSSE incidents, the power plant had a technical availability of 95% (similar to 2020).

The power plant's optimization mechanism covers both forward and spot sales and thus improves its role 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 proved again in 2021, in the context of challenging supply and consumption impacted by the pandemic crisis and overall market environment.

In 2021, the Brazi power plant did not have any legal obligation to supply the regulated power market (2020: 0.18 TWh at the price of RON 223/MWh).

For 2022, we expect the refining margins to be around USD 6/bbl. Also we estimate that the demand for oil products will be on a slight upward trend; we expect demand for power to be similar to 2021 level, while demand for gas to be lower than in 2021.

In Refining and Marketing segment, our refinery utilization rate is estimated to be above 95%, while the total refined product sales are forecasted to be broadly similar to the previous year level of 5.3 mn tons.

In the Gas and Power segment, both the total gas sales volumes and the net electrical output are estimated to be lower yoy, in case of gas mainly on lower supply, while for the net electrical output, in the context of a 2-month planned shutdown of the Brazi power plant in H1/22, of which one month for half of the capacity.

#### **b) Company's market share. Main competitors**

With daily hydrocarbon production of 127.2 kboe/d and an oil/gas split of roughly 48%/52% in 2021, OMV Petrom

accounts for almost the entire crude oil production and for over 40% of the gas production in Romania.

According to our estimates, national gas consumption slightly increased by around 2% in 2021 as compared to 2020, with the increase mostly attributable to a cold and long winter at the beginning of the year. Regarding the supply sources, the national consumption was covered by a decreasing Romanian gas production and a higher share of gas imports as compared to the previous year. In regards to prices, they reached record levels and particularly in the second half of the year they increased very steeply. This evolution was in line with other European markets and, likewise, in Romania, the Government stepped in to restrain the impact of these price increases on the residential consumers. These measures did not have a material effect on OMV Petrom's activity or financial performance in 2021 due to the low weight of this type of consumers in the portfolio. OMV Petrom covered approximately 35% of Romania's total estimated gas consumption in 2021, both from its equity production as well as from gas acquisitions from third parties. The national domestic gas production was covered mainly by Romgaz and OMV Petrom, with relatively small volumes also provided by other, smaller private operators. Based on partial data available at this time, the largest importers were Imex Oil Limited, WIEE România and Engie, while OMV Petrom also imported some gas volumes.

On the power market, as per currently available data from the grid operator, national electricity consumption increased by 5% to 61 TWh in 2021 (2020: 58 TWh). The national electricity production also increased by 6%, to 59 TWh (2020: 55 TWh). This higher power generation in 2021 was covered by significantly increased production from hydro sources in the context of good national hydraulicity, higher production from coal and slightly higher production from natural gas. Market coupling continued to play an important role in 2021 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 2021 were: Hidroelectrică, Nuclearelectrică, Complexul Energetic Oltenia. The hydropower plants covered ~30% of the total national electricity production,

the nuclear-power plant ~19%, the coal power plants ~19%, the gas-powered power plants ~18%, while renewables covered the remainder ~14%. The Brazi power plant covered 8% of Romania's electricity production in 2021.

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 2021, the refineries processed a total quantity of approximately 10 mn tons of crude<sup>iv</sup>.

Retail market share<sup>v</sup> in the operating region slightly decreased at 31%, versus the previous year, given the network optimization and 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:

<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).

	The average number of employees		
	2021	2020	2019
Average for the year	8,271	10,949	11,814

The average number of employees decreased in 2021 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, 2021, the OMV Petrom S.A. workforce comprises 74.6% employees with a high school diploma or higher degrees in oil engineering and other fields (technical/financial/legal etc., thereof 48.9% higher degrees and 25.7% 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 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 2021, 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 2023. 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 potential for new discoveries. In 2021, the exploration expenditure amounted to RON 177 mn, compared to 187 mn in 2020, as the higher 3D seismic acquisition activities only partially counterbalanced the lower costs related to abandoned exploration deep wells.

The research and development activities are performed mainly through 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 2021, total expenses incurred by ICPT were in the amount of RON 21.7 mn (2020: RON 19.7 mn) and in 2022 are expected to reach RON 35.8 mn. Capital expenditure was in the amount of RON 1.9 mn (2020: RON 2.4 mn), while for 2022 it is anticipated to be around RON 3.2 mn.

#### 1.1.8. Evaluation of the company's risk management activity

OMV Petrom is exposed to a variety of risks specific to the oil and gas industry, including market and financial risks, operational risks and strategic risks. The company's risk management processes focus on identification, assessment, and evaluation of such risks and their impact on the company's financial stability and profitability. The objective of these activities is to actively manage risks in the context of the OMV Petrom's risk appetite in order to achieve its long-term strategic goals.

Risk management and insurance function is centrally coordinated at the corporate level, which 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 responsible for the areas where the risks were identified, who are best suited to analyze, monitor and mitigate the respective risks.

OMV Petrom is closely monitoring the development of the consequences of the COVID-19 pandemic and regularly evaluating the impact on the company's cash flow and liquidity position.

In the context of the conflict in Ukraine, OMV Petrom monitors the geopolitical developments on a continuous basis and regularly reviews the potential impact on our business activities. The credit risk portfolio associated with counterparties and banks located in Russia and / or potentially targeted by international sanctions (or restrictions on international money transfers) is under close review. Disruptions in Russian commodity flows to Europe could result in further increases in European energy prices and accelerate the risk of cost inflation.

#### Enterprise Wide 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, risk reporting and risk review through continuous monitoring of changes to the risk profile).

In the EWRM process common risk terminology and language are used across OMV Petrom to facilitate effective risk communication, whereby Environmental, Social and Governance (ESG) risk category is in our focus area in the OMV Petrom risk taxonomy.

**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 using an 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.

#### 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. Strategic risks are managed through specialised task forces: Performance, People, Technology and Innovation, New Energy Solutions and Stakeholders' Management.

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. 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. This approach ensures greater awareness and focus on risks that might affect the Company's objectives.

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 his/her competency area. 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. 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 has 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 our financial results, including those that may materialize within the current annual reporting cycle;
- ▶ Medium-term risks – risks that may materially impact our financial results within 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 within a ten-year timeframe.

In terms of **tools and techniques**, OMV Petrom follows the best international risk management practices and uses stochastic quantitative models to measure the potential loss associated with the Company's risk portfolio 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, volatility and potential cash flow impact.

As regards **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.

To assess **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 deposits and committed credit lines are maintained.

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 financial activities. The volatility of EURIBOR and ROBOR may trigger less or additional cash flow. However, the risk and the mentioned volatility in our cash flow 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.

### Pandemic risk

The global outbreak of the COVID-19 pandemic continues to have a major impact on the global economic development. Increases in COVID-19 cases around the world following the emergence of new virus variants combined with disruptions in supply chains and high price inflation could lead to delays in the expected demand recovery. OMV Petrom is responding to the situation with targeted measures to safeguard the Company's economic stability and the secure supply of energy. The health and wellbeing of every employee is the top priority.

### Strategic risks

In order to identify strategic risks which might have potential long-term effects on the company's objectives, OMV Petrom continuously monitors its internal and external environment.

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 (climate change, oil and gas market demand and pricing volatility, 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.



Strategic risk	Details
<b>Climate change</b>	In OMV Petrom, we approach the climate change in a holistic view and integrate all climate change related activities from various areas, in order to address the risks and enhance the opportunities.
<b>Global oil &amp; gas demand</b>	Due to major factors affecting the oil and gas markets, the prices may have large fluctuations. The recent climate change regulations trigger an unprecedented high pressure, affecting all market fundamentals.
<b>Reserve replacement</b>	OMV Petrom mature fields and declining production triggers tailor-made measures to address Reserve Replacement Rate (RRR). This supports our view of increasing the share of natural gas in our hydrocarbon production, as we see natural gas as a key enabler for a successful energy transition in Romania.
<b>Technology &amp; Innovation</b>	The fast pace of technology development, the current trends within energy industry and the lack of innovation capabilities could lead to a significant loss of growth or efficiency opportunities.
<b>Cyber threats</b>	Due to a major cyber event, the OMV Petrom IT infrastructure may experience a massive disruption that can lead to the loss of access or the destruction of critical information.
<b>Political &amp; Regulatory</b>	Major political factors and emerging regulatory requirements may impact OMV Petrom’s ability to achieve its strategic objectives.
<b>Human capital</b>	As a major company, OMV Petrom considers human capital as an important asset and has a strategy to manage the human resources risks.

**Climate Change Risk Management**

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

related risk and opportunities have already been reflected into our business plans and objectives in the medium term. The most substantive climate-related changes in the energy industry are expected to arise on a longer time scale – in particular with regard to revenues. Therefore, management pays close attention to climate change-related long-term risks and opportunities and takes these into account in strategic decision-making. The climate change risks are

assessed using the standardized methodology of the EWRM process.

This process is based on the EWRM Standard supplemented with a set of principles defining the ESG/sustainability risk and opportunity requirements as part of the OMV Petrom risk management framework, supported by the rights, responsibilities and expectations of specific risk stakeholders.

Being the first Romanian company to support the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), OMV Petrom considers and addresses climate change-related risks according to TCFD recommendations, as well as the double materiality perspective proposed by the EU Non-Financial Reporting Directive.

In 2021, the progress on alignment to TCFD recommendations is summarized below:

- **Governance** – ongoing New Energy Solutions, Environment task forces through which EB members quarterly monitor and manage climate change risk and opportunities
- **Strategy** – risks and opportunities identified, future focus on impact evaluation and company resilience in the light of the recently published OMV Petrom's Strategy 2030, with the sustainability framework embedded;
- **Climate Change Risk** – continued risk management process (scenario analysis); future focus: pilot for climate risks of new investment projects;
- **Metrics and Targets** – ongoing enhanced disclosure, new climate change KPIs disclosed in OMV Petrom's Strategy 2030.

OMV Petrom Executive Board members discuss quarterly the current and upcoming environmental, climate, and energy-related policies and regulations; related developments in the fuels, gas and power 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).

### 1.1.9. Estimates of the company's activity

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

##### Outlook for 2022

All the below is based on the assumption of no significant lockdowns by year end and does not consider the potential impact of the regional geopolitical tensions.

For the full year 2022, OMV Petrom expects the average Brent oil price to be around USD 75/bbl<sup>1</sup>.

We expect the refining margins to be around USD 6/bbl. Also we estimate that the demand for oil products will be on a slight upward trend; we expect demand for power to be similar to 2021 level, while demand for gas to be lower than in 2021.

In the Exploration and Production segment, we aim to contain the production decline in Romania at around 7% yoy, excluding portfolio optimization. We will continue to focus on the most profitable barrels, through selective fields divestments in 2022. We plan investments of around RON 2.6 bn, mainly for drilling around 60 new wells and sidetracks and for performing around 600 workovers.

Our refinery utilization rate is estimated to be above 95%, while the total refined product sales are forecasted to be broadly similar to the previous year level of 5.3 mn tons.

In the Gas and Power segment, both the total gas sales volumes and the net electrical output are estimated to be lower yoy, in case of gas mainly on lower supply, while for the net electrical output, in the context of a 2-month planned shutdown of the Brazi power plant in H1/22, of which one month for half of the capacity.

We target to reduce the carbon intensity of our operations by 30% until 2030 vs. 2019. Our plans related to alternative mobility are to install approximately 100 recharging stations by year-end. We also plan to make progress in developing a renewable power portfolio as well as initiate the first steps towards producing second generation bioethanol.

##### Investments for 2022

At OMV Petrom Group level, we expect to generate a positive free cash flow after base dividends. CAPEX is

<sup>1</sup> The budget is based on the assumption of 65 USD/bbl for Brent oil price for 2022.

currently anticipated to be above RON 4 bn, depending on the investment climate. We are also committed to offer attractive returns to shareholders with 5%-10% p.a. base dividend growth.

For our flagship project Neptun Deep, due to the absence of amendments to the Offshore Law, we expect the FID to be delayed to 2023. With regards to Han Asparuh offshore Bulgaria, we plan to spud one exploration well in 2022-2023 and continue prospectivity and evaluation, while in the case of Georgia Offshore Exploration Block II we envisage seismic acquisition in H2/22.

In the Refining and Marketing segment, within the partnership with Auchan, we plan to open more than 100 new MyAuchan stores in the upgraded Petrom-branded filling stations by year-end.

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

The main factors that affected the company's cash flow during 2021 are presented in section 5.

## b) Capital expenditures (CAPEX) and other additions

Investments <sup>1)</sup> , RON mn	2021	2020	2019
Upstream	2,122	2,279	3,342
Downstream Oil	510	607	556
Downstream Gas	168	9	100
Corporate and Other	17	22	90
<b>Total</b>	<b>2,817</b>	<b>2,916</b>	<b>4,087</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 2021 amounted to RON 2,817 mn, lower by 3% compared to 2020.

Investments in Upstream activities (RON 2,122 mn) represented 75% of 2021 total, being 7% lower than in 2020. The decrease was mainly due to reduced number of wells and workovers and lower activities for field redevelopment projects, partially counterbalanced by higher progress for facilities projects.

Downstream Oil investments amounted to RON 510 mn in 2021 mostly being directed to Refining for ongoing projects in the tank farm area and coke drums replacement in Petrobrazi. 2020 investments amounted

to RON 607 mn and were performed mostly at the Petrobrazi refinery – continuing the investments to increase the bio-blending capacity, securing longterm 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.

Downstream Gas investments (RON 168 mn) were considerably higher than in 2020 (RON 9 mn) due to the advance paid for the Brazi power plant's major maintenance that will take place in 2022 - 2023.

Corporate & Other investments amounted to RON 17 mn, lower as compared to 2020 (RON 22 mn).

## 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		
	2021	2020	2019
Upstream	1,689	(1,018)	2,515
Downstream Oil	2,310	1,101	1,311
Downstream Gas	(307)	1,311	448
Corporate and Others	(102)	(109)	(163)
Operating Result Consolidation <sup>1</sup>	(225)	214	(94)
<b>Total</b>	<b>3,366</b>	<b>1,499</b>	<b>4,017</b>

<sup>1</sup> Operating Result Consolidation result represents the inter-segmental profit elimination

During 2021, in the **Upstream** segment, Operating Result amounted to RON 1,689 mn, compared to RON (1,018) mn loss in 2020, mainly driven by higher prices, which were partly offset by higher Upstream taxation, lower sales volumes, unfavorable FX (weaker USD vs. RON), as well as higher production costs. The 2020 Operating Result was also impacted by the net income from consolidated subsidiaries and equity accounted investments in amount of RON 116 mn. Average Urals crude prices increased by 67% compared to 2020 to USD 69.23/bbl. Domestic crude oil and NGL production was 22.37 mn bbl, 4% down compared with 2020. Domestic gas production was 24.05 mn boe, 11% lower compared to the 2020 level. The main factors that impacted production in Romania in 2021 were natural decline and maintenance activities, partly counterbalanced by the contribution of workovers and new wells. Excluding the effect of divestments, daily average production in Romania declined by 7.6% yoy. Production cost in Romania was USD 12.74/boe, 17% higher vs. 2020, mainly due to lower production available for sale, increased expenses and unfavorable FX (weaker USD vs. RON); in RON terms, it increased by 15% to RON 52.99/bbl.

In the **Downstream Oil** segment, Operating Result increased to RON 2,310 mn, as compared to RON 1,101 mn in 2020, following economic recovery reflected in positive quotations development, improved demand and good refining performance. Operating result was also impacted by the net income from consolidated subsidiaries and equity accounted investments in amount of RON 336 mn (2020: RON 481 mn). In 2021, the OMV Petrom indicator refining margin was USD 5.47/bbl,

higher by USD 2.59/bbl than in 2020, as a result of better product spreads, mainly for gasoline. The refinery utilization rate came in at 97% (2020: 92%), reflecting improved demand and the 2020 planned refinery shutdown.

In the **Downstream Gas** segment, Operating Result was RON (307) mn, as compared to RON 1,311 mn in 2020. 2021 was an exceptionally good year for our power business, the very strong result generated by increasing selling prices and higher revenues from balancing and ancillary services markets effectively compensated the negative impact from the power forward sales contracts concluded in previous periods. The power business result from 2020 was impacted by 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 and by an one off revenues representing the compensation for higher costs incurred in 2019 for the power regulated sales. The gas business had a good performance in 2021, despite the lower sales volumes and increasing acquisition costs, on very good results from gas portfolio optimization and short term balancing activities and improved margins on gas extracted from storage. We also benefited from the reversal of a bad debt provision in 2021. Operating result was also impacted by the net income from consolidated subsidiaries and equity accounted investments in amount of RON 15 mn (2020: RON 67 mn). Brazi power plant generated a net electrical output of 4.79 TWh (2020: 4.15 TWh).

Operating Result in the **Corporate and Other** segment amounted to RON (102) mn, (2020: RON (109) 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 Republic of Moldova, Bulgaria, Serbia and Georgia, directly or via its subsidiaries.

#### Upstream:

At the end of 2021, OMV Petrom operated 152 commercial oil and gas fields in Romania (end-2020: 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 2021, 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 561 retail filling stations in Romania and 226 stations in the neighboring countries of Bulgaria, Serbia and the Republic of Moldova.

Number of retail filling stations per country	2021	2020	2019
Romania	561	560	556
Republic of Moldova	69	77	81
Bulgaria	94	93	94
Serbia	63	63	62
<b>Total</b>	<b>787</b>	<b>793</b>	<b>793</b>

### OMV Petrom S.A.

Tangible assets, RON mn (Net Book Value)	Balance at 31.12.2021	Balance at 31.12.2020
Land, land rights and buildings, incl. buildings on third-party property	1,207	1,323
Oil and gas assets	17,219	18,872
Plant and machinery	4,462	4,797
Other fixtures and fittings, tools and equipment	318	353
Assets under construction	691	528
<b>Total tangible assets</b>	<b>23,897</b>	<b>25,872</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 31.12.2021</b>	<b>Balance at 31.12.2020</b>
Land, land rights and buildings, incl. buildings on third-party property	1,321	1,232
Oil and gas assets	24,501	22,736
Plant and machinery	6,720	6,144
Other fixtures and fittings, tools and equipment	431	371
Assets under construction	19	18
<b>Total accumulated depreciation and impairments for tangible assets</b>	<b>32,992</b>	<b>30,501</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, 2021, 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 file cases 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

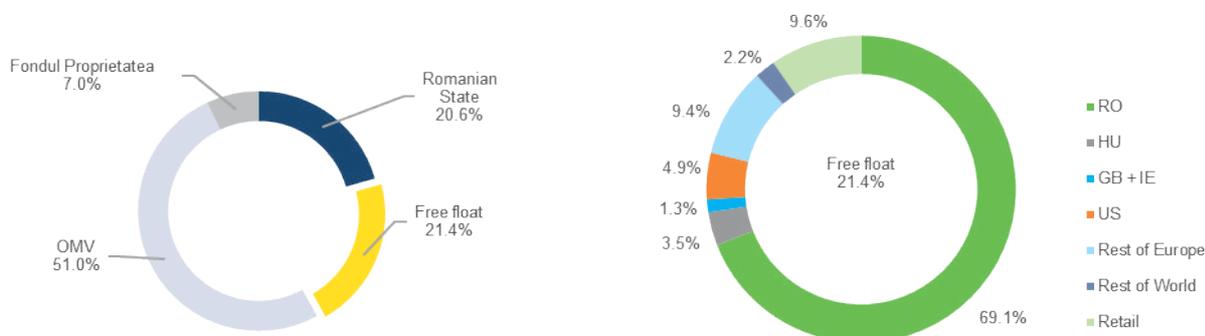
#### 3.1. The markets in Romania and in other countries where the securities issued by the company are traded

##### Shareholder structure

At the end of 2021, 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).

At the end of 2021, 482 legal entities from Romania and abroad held 90.4% of the free float shares or 19.3% of OMV Petrom share capital, with the remainder (9.6% of the free float or 2.0% of capital) being held by around 460,000 private individuals.

On January 26, 2022, Fondul Proprietatea reduced its shareholding by four percentage points through an Accelerated Book Building (ABB); thus, at the date of the report, shareholding structure is the following: 51.0% – OMV Aktiengesellschaft, 20.6% – Romanian State, 3.0% – Fondul Proprietatea S.A (FP), and 25.4% – other shareholders.



An analysis of our shareholder structure, as at the end of 2021, shows that 69.1% of the free float was held by Romanian institutional shareholders (2020: 67.5%), 9.6% by retail investors (2020: 9.5%), while the rest was held by foreign institutional shareholders, as follows: 4.9% from the USA (GDR component included in this category) (2020: 2.5%), 3.5% from Hungary (2020: 3.4%), 1.3% from the UK and Ireland (2020: 1.7%), 9.4% from other European countries (2020: 11.7%), and 2.2% from rest of the world (2020: 3.8%).

##### Shares

The year started with a weak evolution of the share price, **the lowest share price of the year**, of RON 0.3695, being

reached on January 4. Afterwards, the stock gradually increased, reaching the **highest share price of the year** of RON 0.51 (on November 3).

On the **ex-dividend** date May 13, the SNP share price corrected by 7.4% (RON 0.035), more than the equivalent of 2020 dividend per share of RON 0.031. Later that month, on May 27, the share price recorded another 4.6% daily decline (vs. the 2.6% BET index decrease) generated by the MSCI rebalancing announcement on the inclusion, in one step, of Iceland in Frontier markets (Iceland had a ca. 8% weight in the index).

Quarterly results publication, while generally in line with analysts' expectations, generated mostly neutral reactions. Still, the share price declined by 1-2% in most quarters, while after the Q2/21 and Q3/21 Trading Updates' publication, share price appreciated by 2-3%. A 2% increase was recorded after Q4/20 results publication, when the 2020 initial dividend proposal was also announced.

Besides company news, the evolution of OMV Petrom share price in 2021 was mainly influenced by: 1. the authorities' statements on possible timing of the Offshore Law change and/or negotiations between Romgaz and ExxonMobil; 2. global index related announcements; 3. oil price volatility (OPEC+ announcements on monthly production quotas).

News on the **takeover by Romgaz of ExxonMobil stake** in the company that operates the Neptun Deep block usually had a positive impact on OMV Petrom share price. As an example, we would highlight the 2.1% daily increase on March 31, the day when Romgaz submitted its offer for ExxonMobil shares and the Romanian authorities indicated the aim for a change of the **Offshore Law** by end H1/22. Political unrest caused by the changes in the ruling coalition and government generated expectations of delays in amending the Offshore Law and largely explained the 4.3% daily decline in OMV Petrom share price on August 31.

On August 23, OMV Petrom share price increased by 3.1% following the official announcement on the **inclusion of the company shares in FTSE Emerging Markets (EM) indices**. The share prices adjusted downwards by 4.3% on September 20, the actual day of the inclusion in the FTSE EM indices. On September 17, the date of the FTSE indices rebalancing, the OMV Petrom share recorded its **highest daily traded volume** in the year on the Regular market of 306.2 mn shares.

Another element that brought significant swings in OMV Petrom share price performance was related to oil price evolution (**OPEC+ announcements on monthly production levels**). For example, on March 5, the unexpected announcement of OPEC+ that it will maintain the production cuts in April led to a 4.1% share price appreciation (while the oil price went up by 2.3% on that day). Opposite moves were recorded on July 19, when OMV Petrom share price declined by 2.8%, yet outperformed the oil price, which suffered its biggest to date daily decline of 6.4% since June 2020, after OPEC+ deal to increase output stoked fears of a surplus just as rising COVID-19 infections threatened demand. The OMV Petrom share price declined even more, i.e. by 4% on November 26 (and oil price by a waping 11%), as the new COVID-19 variant Omicron initially raised fears of renewed global travel restrictions, and by the announcement that the U.S. will release oil from its Strategic Petroleum Reserve in an attempt to pressure gasoline prices lower.

On December 7, the OMV Petrom share price recorded its third large daily appreciation in the year of 3.3%, following the Strategy 2030 release and the reinforcement of the company's dividend policy via a stronger commitment to increase the base dividend and the possibility of special dividends.

In 2021 the **average OMV Petrom share price** for trades on the Regular market was RON 0.4359, 26% higher than the 2020 figure of RON 0.3473, while the average dated Brent oil price increase was of 69% yoy. The **average daily traded volume**, including Deal trades, was 10.8 mn shares (2020: 9.9 mn), up 9% yoy. The **average daily traded value** was RON 4.75 mn, up 40% yoy in RON terms. The 2021 average daily traded value in EUR terms was EUR 0.97 mn.

### OMV Petrom share price (SNP) and BET performance 2021 30 December 2020 = 100



The domestic indices also recovered from their 2020 lows caused by the COVID-19 pandemic. The **BET index** closed the year 33% above the value of at the end of 2020. The **BET-NG index** (comprising stocks in the energy and utilities sectors) in which OMV Petrom has a weight of around 30%, increased by 29% yoy. The **BET-BK index** (designed as a benchmark for asset managers and institutional investors) also increased by 35% yoy. The **BET-TR (total return BET)** appreciated by 40% yoy in 2021.

Outperforming the BET index by 4.1 percentage points, OMV Petrom share ended the last trading session of the

year on December 30 at the share price of **RON 0.4990**, 37% higher yoy. **The total shareholder return** (including the dividend of RON 0.031/share for the 2020 financial year and paid in 2021) **was 46%**.

OMV Petrom S.A. **market capitalization** at the end of 2021 was RON 28.3 bn or EUR 5.7 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 19 most liquid blue-chip stocks listed on the BSE).

#### OMV Petrom S.A. share symbols

ISIN	ROSNPPACNOR
Bucharest Stock Exchange	9
Bloomberg	SNP
Reuters	SNP RO
	ROSNP.BX

**At a glance**

	2021	2020	Δ (%)
Number of shares (mn)	56,644.1	56,644.1	0
Market capitalization (RON mn) <sup>1</sup>	28,265	20,590	37
Market capitalization (EUR mn) <sup>1</sup>	5,712	4,229	35
Year's high (RON)	0.5100	0.4500	13
Year's low (RON)	0.3695	0.2735	35
Year end (RON)	0.4990	0.3635	37
EPS (RON)	0.0506	0.0228	122
Dividend per share (RON)	0.034 <sup>2</sup>	0.031	10
Dividend yield (%) <sup>1</sup>	6.8	8.5	(20)
Payout ratio (%) <sup>3</sup>	67	136	(51)

<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, 2022;

<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 2021 was USD 18.0, translating into a 38.5% yoy increase. In 2021, the GDR price ranged between a USD 18.0 **high** (first reached on November 10) and a USD 13.0 **low** (first reached on January 4).

In total, 95,026 GDRs were traded in 2021 (2020: 4,454), while the **daily average number of GDRs** was 373 (2020: 17).

The **highest monthly trading volume and value** were reached in April (65,300 GDRs worth of USD 1.1 mn), while the lowest July and December (no trades). **The total value of GDRs traded** in 2021 was USD 1.55 mn (2020: USD 0.06 mn).

2,850 GDRs were issued in April, 480 in May and 5,106 in November. 6,000 GDRs were cancelled in January 2021, 4,853 in April, 57,700 in May and 10,000 in August. The

**number of GDRs outstanding** at the end of each month ranged between 175,611 (in January) and **111,494 (in December)**. The latter figure represents 4.5% of the GDRs issued in the October 2016 Secondary Public Offering and 0.14% of the free float as of end-2021.

In 2021, indices on the European and US exchanges recovered from the very depressed 2020 levels caused by the COVID-19 pandemic. 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 marginally underperformed, as the outlook for oil demand recovery remained uncertain with the various virus variants. DAX index increased by 15.8% yoy, FTSE 100 increased by 14.6% yoy, STOXX Europe 600 increased by 22.5% yoy, STOXX Europe 600/Oil & Gas closed 17.5% higher yoy, while Dow Jones Industrial average increased by 18.9% 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 2021, OMV Petrom S.A. held a total number of 204,776 own shares, representing 0.0004% of issued share capital. In 2021, OMV Petrom did not buy back or cancel any Treasury shares.

**Investor Relations activities**

During 2021, 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 only online. Such interactions provided the opportunity to regularly update investors and analysts on the company's response to challenges posed by energy prices volatility, and by Europe's Fit for 55 package as well as on the quarterly operational and financial performance.

In 2021, we attended 13 events and we virtually met around 80 investment funds from all over the world. With the occasion of our Strategy 2030 release in December 2021, we organized a Capital Markets Day, as well as a non-deal road show, during which we had a total of 22 one-on-one and group meetings with investors. In total we met 49 investment funds from 16 countries: 10 from Romania, 9 from UK, 7 from France, 6 from US, 3 from Germany, 2 from Estonia, 2 from Check Republic, 2 from Poland and one from each of the following countries: Japan, Singapore, Sweden, Austria, Denmark, Belgium, Hungary and Bulgaria.

In 2021 we also attended ten investor conferences organized by brokers (of which six at IR level only).

During 2021, the number of interactions with focus on ESG (Environmental, Social and Governance) topics increased. More specifically, we received questions around the impact of Europe's Fit for 55 package on our sustainability strategy, capital expenditure plans, long term business viability in the context of increased European push for less use of fossil fuels.

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 2021, **OMV Petrom stock was covered by ten analysts** (2020: nine), of whom nine (or 90%) had "Buy" or equivalent ratings (end of 2020: 89%) and one (or 10%) had a "Hold" or equivalent rating (end-2020: 11%). Same as at end of 2020, no analyst had a Sell rating. **The average target price (TP)** according to analyst consensus estimates was RON 0.544 (translating into a 9.0% upside potential compared to the share price of RON 0.4990 on the last day of trading in the year). This compares to an average TP of RON 0.403 as at end-2020.

### Dividends

The Supervisory Board has approved the Executive Board's proposal to the Ordinary GMS to distribute a gross dividend per share of RON 0.0341 for the year 2021, which is in line with the current dividend policy. This translates into a total cash outflow of RON 1,932 mn, a payout ratio of 67% of the Group's 2021 net profit attributable to stockholders of the parent (2020: 136%), or 41% of the Group's 2021 free cash flow (2020: 73%). The 2021 dividend proposal is subject to the approval of the forthcoming Ordinary GMS on April 27, 2022.

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

OMV Petrom S.A. (the Company) is committed to deliver a competitive shareholder return throughout the business cycle, including paying a progressive dividend, in line with the financial performance and investment needs, considering the long term financial health of the Company.

On December 7, 2021, the Company made a stronger commitment to increase its base dividend per share by 5% - 10% per annum on average by 2030.

In a favorable market environment and at management discretion, special dividends may also be distributed, provided that the Company's investment plans are funded.

Related to year	2021	2020	2019
Dividends allocated, RON mn	1,931.56 <sup>1</sup>	1,755.96	1,755.96

<sup>1</sup>Subject to GMS approval.

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 was approved by the Ordinary General Meeting of Shareholders, on April 27, 2021. The payment of the dividends started on June 7, 2021.

On March 17, 2022, the Supervisory Board approved the Executive Board's proposal to distribute dividends of RON 0.0341 per share, resulting in a payout ratio of 67%, based on the Group's 2021 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, 2022.

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

As at year-end 2021, OMV Petrom held a total of 204,776 own shares, representing 0.0004% of issued share capital.

In 2021 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. 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 environment, 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 Company's website ([www.omvpetrom.com](http://www.omvpetrom.com)), 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 of the Bucharest Stock Exchange of 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 is 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 relevant 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), including commercially sensitive information, for which disclosure 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 and set their remuneration;
- ▶ 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;
- ▶ to approve the remuneration policy for the Executive Board and Supervisory Board members and to give a consultative vote on the remuneration report for the Executive Board and Supervisory Board members.

**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 Company's activity, 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 depositary of an amount equal to cash dividends or other cash distributions received by the GDR depositary from the Company in respect of the deposited shares, net of any applicable fees, charges and expenses of the depositary and any taxes withheld;
- ▶ receive from the GDR depositary additional GDRs representing additional shares received by the GDR depositary from the Company by way of free

distribution (or if the issue of additional GDRs is deemed by the GDR 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, 2021 and expires on April 28, 2025.

At the beginning of 2021, the Supervisory Board consisted of the following members: 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.

Following the expiry of the mandate of the Supervisory Board, the Ordinary GMS held on April 27, 2021 resolved upon the appointment of the new membership of the Supervisory Board for a four year mandate effective as of April 28, 2021, consisting of the following: Rainer Seele (President), Johann Pleininger (Deputy President), Elena Skvortsova, Daniel Turnheim, Wolfram Krenn, Jochen Weise, Niculae Havrileț, Răzvan Eugen Nicolescu and Marius Ștefan.

During 2021, there were two changes in the membership of the Supervisory Board. Thus, following Wolfram Krenn's waiver of his mandate as member of the Supervisory Board, Martijn van Koten was appointed as interim member of the Supervisory Board, as of August 1, 2021 and until the next GMS. Also, the Supervisory Board approved the appointment of Alfred Stern as

interim member and President of the Supervisory Board as of September 1, 2021 and until the next GMS following Rainer Seele's waiver of his mandate.

Therefore, at the end of 2021, as well as at the date of this report, the Supervisory Board had the following composition: Alfred Stern (President), Johann Pleininger (Deputy President), Elena Skvortsova, Daniel Turnheim, Martijn van Koten, Jochen Weise, Niculae Havrileț, Răzvan Eugen Nicolescu and Marius Ștefan.

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.

### 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 2021, 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 currently composed of five members appointed by decision of the Supervisory Board from among its members.

During 2021, there were some changes in the membership of the Audit Committee.

At the beginning of 2021, the Audit Committee was made of four members, namely: Jochen Weise (President – independent), Reinhard Florey (Deputy President), Niculae Havrileț (member) and Radu-Spiridon Cojocar (member – independent).

Following the approval by the Ordinary GMS of the new mandate of the Supervisory Board, a new composition of the Audit Committee, made of five members, was also approved with effect starting on April 28, 2021 and until the expiration of the current mandate of the Supervisory Board, respectively April 28, 2025, as follows: Jochen Weise (President – independent), Daniel Turnheim (Deputy President), Niculae Havrileț (member), Răzvan Eugen Nicolescu (member – independent) and Marius Ștefan (member – independent). There were no other changes as regards the members of the Audit Committee during 2021.

Therefore, at the end of 2021 as well as at the date of this report, the Audit Committee has the same composition as detailed above.

The Audit Committee's members have adequate qualifications relevant to the functions and responsibilities of the Audit Committee. In addition, three members have also financial, auditing or 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 regards 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 2021 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 2021, there were some changes in the membership of the Presidential and Nomination Committee.

At the beginning of 2021, the Presidential and Nomination Committee was composed of: Rainer Seele (President), Johann Pleininger (Deputy President), Joseph Bernhard Mark Mobius (member – independent) and Niculae Havrileț (member).

Following the approval by the Ordinary GMS of the new mandate of the Supervisory Board, a new composition of the Presidential and Nomination Committee was approved, with effect starting on April 28, 2021 and until the expiration of the current mandate of the Supervisory Board, respectively April 28, 2025, as follows: Rainer Seele (President), Johann Pleininger (Deputy President), Răzvan-Eugen Nicolescu (member – independent) and Marius Ștefan (member – independent). Moreover, following Rainer Seele's waiver of his mandate as member of the Supervisory Board and of the Presidential and Nomination Committee, Alfred Stern was appointed member and President of the Presidential and Nomination Committee as of September 1, 2021.

Therefore, at the end of 2021 as well as at the date of this report, following these changes in the Supervisory Board membership, the Presidential and Nomination Committee has the following composition: Alfred Stern (President), Johann Pleininger (Deputy President), Răzvan-Eugen Nicolescu (member – independent) and Marius Ștefan (member – independent).

### 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;
- ▶ is in charge with the preparation of the remuneration policy and the remuneration report for the Executive Board and Supervisory Board members;
- ▶ deals with 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.

During 2021, there were no changes in the membership of the Executive Board.

### Main duties and powers of the Executive Board

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

- ▶ 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 and its operations, 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 2021, the Executive Board met 49 times, either in person or by video conference and passed resolutions by circulation on 4 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 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”. For 2022, we plan to continue our current programs related to Diversity, Equity and Inclusion, and to develop new action plans based on the OMV Petrom specific results and answers received from Diversity, Equity and Inclusion Quick Poll initiated in 2021. Moreover, during 2022, we will launch the Group Diversity, Equity and Inclusion Strategy for 2030.

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.

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 2021, 67 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 developing our employees’ capabilities. For this, we offer both development opportunities through various learning activities and programs and participation in interdisciplinary and cross functions and countries projects as part of OMV Group.

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 programs. Some of the initiatives focused on diversity, equity and inclusion implemented in 2021 are: SHEnergy – Group level program supporting female leadership skills, Diversity & Inclusion Week 2021, #TheManyFacetsOfYou - blog articles campaign to celebrate Diversity and promote Inclusion, Diversity and Inclusion Talks, "Inspired by Diversity" Podcast, and also a diversity, equity and inclusion Quick Poll that offered our employees the opportunity to express their views regarding these topics.

At the end of 2021 and at the date of this report, there were three women in OMV Petrom’s management bodies: Christina Verchere, the CEO and President of the Executive Board, Alina Gabriela Popa, CFO and member of the Executive Board and Elena Skvortsova, member of the Supervisory Board of OMV Petrom. Moreover, at the end of 2021, 29% of the first line directors reporting to the Executive Board were women, whilst the percentage of women at management levels was 30.6%. The proportion of women in the OMV Petrom Group as a whole was 27% 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 to market conditions, transparency and internal fairness towards employees and other stakeholders within and outside the 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.

Starting 2021 financial year, OMV Petrom has a Remuneration Policy for the Executive Board and Supervisory Board in place. The Remuneration Policy was drafted by the Presidential and Nomination Committee, in close cooperation with independent consultants and was approved by the Supervisory Board and ultimately by 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 according to performance. The current Remuneration Policy is available on the corporate website [www.omvpetrom.com](http://www.omvpetrom.com) in the About Us section, Corporate Governance sub-section.

On 27 April 2022, a revised Remuneration Policy for the 2022 financial year and onwards will be submitted for Ordinary GMS approval.

### Remuneration of the Executive Board and Supervisory Board members

The implementation of the Remuneration Policy and the performance outcomes for the financial year 2021 are presented in the 2021 Remuneration Report for OMV Petrom's Executive Board and Supervisory Board, that

will be submitted for consultative vote in the Ordinary GMS on 27 April 2022.

### Remuneration of other staff

The employees of OMV Petrom are employed under local Romanian terms and conditions and the salaries are set in RON currency. 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 part time 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, car compensation fee, commuting and transportation support and (iv) short-term (discretionary and / or annual) performance-related bonuses. The measures / key performance indicators used are based on financial and non-financial metrics.

All amounts are subject to a 20% indemnity allowance, applicable to all working agreements, as a temporary measure, in order to compensate the transfer of the social security contributions from the employer to the employee based on the fiscal changes introduced by OUG no. 79/2017.

### 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 2021. This report will be published together with the consolidated financial statements of OMV Petrom for the year ended December 31, 2021.

**Subsequent events**

Please refer to Note 38 in the Consolidated Financial Statements.

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

mandate between April 28, 2021 and until April 28, 2025, as follows:

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

As at January 1, 2021, 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>Alfred Stern</b>	57	President of the Supervisory Board As of 1 September 2021	Effective September 1, 2021, Alfred Stern is the new Chairman of the Executive Board and the CEO of OMV. Between April – August 2021, he has been OMV Executive Board Member for Chemicals & Materials. Alfred Stern has been the CEO of Borealis since 2018 and since 2012 a member of the Borealis Executive Board for Polyolefins and Innovation & Technology. Alfred Stern joined Borealis as Senior Vice President Innovation & Technology in 2008, coming from E.I. DuPont de Nemours where he held several leadership positions in the areas of research and development, sales and marketing, and quality and business management in Switzerland, Germany and the United States. In his last assignment, he was Global Business Manager of a business unit in Engineering Polymers in the United States. He holds a PhD in material science and a Master's Degree in polymer engineering and science, both from the University of Leoben in Austria. Alfred Stern has been awarded, among others, the H.F. Mark Medal, the DuPont Award for a new product patent and a Prize of Honour from the Austrian Ministry of Science and Research. Alfred Stern is an Austrian citizen, he is married and has two children.
<b>Johann Pleininger</b>	60	Member As of 10 August 2019 Deputy President As of 28 April 2021	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.
<b>Elena Skvortsova</b>	52	Member As of 28 April 2021	Elena Skvortsova studied at the Moscow Linguistics University in Russia and at the Thunderbird School of International Management in USA. She began her professional career at Bayer in 1994 as an international management trainee; her latest position at Bayer was Associate Director of Bayer Corporation (Healthcare). Starting 2001, Elena Skvortsova held various leadership positions at Baxter International for 13 years in the United States, Central and Eastern Europe, and the United Kingdom. In 2015, she moved to Linde AG and was responsible

Name	Age (years)	Position	Other information
<b>Daniel Turnheim</b>	47	Member As of 1 January 2017	for the management of the Middle East and Eastern Europe region. From March 2019 to April 2020, following the merger of Linde and Praxair, she headed Praxair Canada Inc., a 100% subsidiary of Linde plc. Elena Skvortsova is a member of the OMV Board of Directors since June 15, 2020 and is responsible for the OMV divisions Marketing & Trading.
<b>Martijn van Koten</b>	52	Member As of 1 August 2021	Martijn van Koten was born in the Netherlands, where he studied Chemical Engineering at Delft University of Technology. He began his professional career at Shell in 1994 taking on several management and technical positions in the refining and downstream business in the UK, Germany and the Netherlands. Starting 2004, Martijn van Koten assumed Manufacturing Site General Manager positions at Shell in Sweden and Singapore, before becoming Vice President Manufacturing East & Middle East in Singapore in 2009 and Vice President Supply & Distribution Americas in the United States in 2013. In 2013, Martijn van Koten joined Borealis as Executive Board Member Operations, HSE & PTS in Austria. From 2018 to June 2021, he was Borealis Executive Board Member Base Chemicals & Operations in Austria. Martijn van Koten is a member of the OMV Board of Directors since July 1, 2021 and responsible for the division Refining. He is married and has two daughters.
<b>Niculae Havrileț</b>	66	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. 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. Between 2019 to September 2021, Niculae Havrileț was state secretary within the Ministry of Economy. Starting September 2021, he is the General Manager of Distribuție Energie Electrică România S.A. In 2000, he has received the “Order of the Star of Romania” Knight.

Name	Age (years)	Position	Other information
<b>Răzvan-Eugen Nicolescu</b>	44	Member – independent <sup>1</sup> As of 28 April 2021	Răzvan-Eugen Nicolescu graduated from the Power Engineering Faculty of Politehnica University of Bucharest. He also completed various economic studies, being a graduate of the MBA program of Solvay Brussels School - Economics and Management, as well as of an executive course on corporate governance at Harvard Business School. Răzvan-Eugen Nicolescu is a recognized specialist in the energy field, with a solid experience in both private and public sector. He has been Director for Regulatory and Public Affairs of OMV Petrom S.A. between 2008-2014, Chairman and Vice-chairman of the European Union Agency for the Cooperation of Energy Regulators (ACER) between 2010 - 2016, as well as Minister of Energy in Romania in 2014, without being a member of any political party. Between February 2015 - April 2021, Răzvan-Eugen Nicolescu has been Partner - Energy Resources and Sustainability Industry Leader of Deloitte Central Europe. Since May 2021 he has been member of the Governing Board of the EIT - European Institute for Innovation and Technology, being appointed by the European Commission.
<b>Marius Ștefan</b>	45	Member – independent <sup>1</sup> As of 28 April 2021	Marius Ștefan graduated the Bucharest Academy of Economic Studies (ASE), the Faculty of International Business and Economics (REI), and has a master in Management at the National University of Political Studies and Public Administration (SNSPA), a master in Business Administration (MBA) in Strategy at Robert H. Smith School of Business at University of Maryland. He attended various executive education programs at Harvard Business School, Stanford GSB, London Business School, INSEAD and IMD. Marius Ștefan is the co-founder and the CEO of Autonom, the largest mobility network in Romania and he has been involved in the development of various local businesses. Marius Ștefan has over 25 years of experience in various leading positions and holds a large expertise in business and financial strategy. He is the Chairman of the Board of Directors of Endeavor Romania, the world's leading community of high-impact entrepreneurs, Vice Chairman of the Board of Romanian Business Leaders, and serves as a board member of various companies.
<b>Jochen Weise</b>	66	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 holds 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.

**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

#### 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, 2021, OMV

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

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**

Niculae Havrilet holds a number of 111,600 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).

Petrom's Executive Board is composed of the following members<sup>vii</sup>:

shares were assigned to Alina-Gabriela Popa, the 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 2021, there is no ongoing litigation against the members of the Executive Board 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.

<sup>vii</sup> Starting with January 1, 2022, OMV Petrom's business segments were renamed as follows: Upstream to Exploration & Production; Downstream Oil to Refining & Marketing, and Downstream Gas to Gas & Power.

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

Financial highlights, RON mn	Year ended December 31		
	2021	2020	2019
Sales revenues	21,486	15,437	19,944
Operating Result	3,366	1,499	4,017
Net financial result	(259)	5	68
Net income	2,688	1,382	3,564
Non-current assets	32,415	34,353	34,726
Current assets (including assets held for sale)	16,463	12,377	11,665
Total equity	32,870	32,013	32,351
Non-current liabilities	7,277	8,552	7,879
Current liabilities (including liabilities associated with assets held for sale)	8,731	6,164	6,161
Cash and cash equivalents at the beginning of the year	7,305	6,795	4,901
Cash flow from operating activities	6,374	5,394	6,920
Cash flow from investing activities	(2,024)	(2,934)	(3,120)
Cash flow from financing activities	(1,612)	(1,946)	(1,908)
Effect of foreign exchange rate changes on cash and cash equivalents	10	(4)	1
Cash and cash equivalents at the end of the year	10,054	7,305	6,795

Ratios	Year ended December 31		
	2021	2020	2019
<b>Liquidity ratios</b>			
Current ratio	1.89	2.01	1.89
Acid test	1.68	1.74	1.58
<b>Risk ratios</b>			
Gearing ratio	n.m.	n.m.	n.m.
Indebtedness ratio	0%	0%	1%
<b>Operational ratios</b>			
Stock turnover – days	36	50	43
Receivables turnover – days	34	37	36
Tangible assets turnover	0.90	0.60	0.78
Total assets turnover	0.44	0.33	0.43
<b>Profitability ratios</b>			
Net profit margin	13%	9%	18%
Operating Result margin	16%	10%	20%
Operating Result before depreciation margin	31%	33%	37%
Return on fixed assets (ROFA)	12%	5%	14%
Return on equity (ROE)	8%	4%	11%

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

Compared to 2020, **sales revenues** increased in 2021 by 39% to RON 21,486 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: 69% or RON 14,750 mn

(2020: RON 9,505 mn). The Downstream Gas segment's contribution was RON 6,643 mn or approximately 31% of total sales, 7% below 2020 level.

**Operating result** for the year 2021 amounted to RON 3,366 mn, higher than RON 1,499 mn in 2020, being influenced mainly by the following most significant evolutions:

- ▶ **Sales revenues** increased by 39%;
- ▶ **Net income from consolidated subsidiaries and equity-accounted investments**, that comprise mainly dividends received by OMV Petrom S.A. from its subsidiaries and associates, decreased by RON 311 mn;
- ▶ **Other operating income** decreased by RON (235) mn, mainly due to the fact that 2020 includes revenues from sales of CO2 certificates in amount of RON 180.99 million;
- ▶ **Operating expenses** increased by 24%, mainly due to:
  - ▶ Purchases (net of inventory variation) and Production and operating expenses, which include variable and fixed production costs, as well as costs of goods and materials employed, increased by RON 2,938 mn, mainly as a result of higher cost with third party and equity crude processed and also higher cost of sales for traded goods;
  - ▶ Production and similar taxes increased with RON 1,125 mn mainly due higher Upstream specific taxation due to higher prices, partly offset by lower production volumes;
  - ▶ Depreciation, amortization, impairments and write-ups increased by 10%, mainly due to 2020 reversal of impairment for Brazi gas fired power plant which more than offset the lower net impairment of CGU's in Upstream and lower depreciation charges;
  - ▶ Exploration expenses decreased by RON 618 mn, triggered by a high base effect from write-off of exploration wells in 2020 as a result of revision of the mid-and long-term price assumptions.

The Company's **net financial result** decreased to a loss of RON (259) mn in 2021 from gain of RON 5 mn in 2020, mainly due to higher interest expenses in relation to the discounting of receivables and to the positive effect in 2020 from the recognition of an interest income from clearance of the arbitration proceedings initiated by OMV Aktiengesellschaft at the International Chamber of

Commerce Paris against the Romanian Ministry of Environment.

**Net income** increased to RON 2,688 mn in 2021 compared to RON 1,382 mn in 2020, due to the positive evolution of the Operating Result offsetting the negative evolution of the net financial result.

As a result of its business activities, OMV Petrom S.A. contributed RON 12,005 mn to the Romanian State budget. Out of this amount, direct taxes represented RON 2,501 mn and indirect taxes RON 9,141 mn. At OMV Petrom Group, contributions to the Romanian State were in amount of RON 12,332 mn (2020: RON 9,609 mn).

OMV Petrom S.A. contribution to the State budget via direct taxes was mainly represented by the profit tax that amounted to RON 403 mn, royalties that amounted to RON 903 mn, employer social contributions that amounted to RON 57 mn, tax on additional revenue from natural gas sales and on exploitation of mineral resources other than natural gas that amounted to RON 751 mn, tax on offshore additional revenues of RON 332 mn and the contribution in amount of RON 9 mn due to the Romanian Energy Regulatory Authority ("ANRE") for energy and gas licenses.

OMV Petrom S.A. contribution to the State budget via indirect taxes was mainly represented by excise (including custom excise) in amount of RON 6,084 mn, VAT (including custom VAT) in the amount of RON 2,455 mn and also employees' related taxes amounting to RON 575 mn.

**Total assets** amounted to RON 48,878 mn as of December 31, 2021, 5% higher compared to 2020, driven by higher current assets.

**Non-current assets** decreased by 6% to RON 32,415 mn, compared to the end of 2020 (RON 34,353 mn), mainly due to decrease in property, plant and equipment, as depreciation, net impairments and decrease in decommissioning asset following reassessment exceeded the additions during the period.

The ratio of intangible assets and property, plant and equipment to total assets amounted to 54% (2020: 61%).

**Total current assets**, including assets held for sale, increased by 33% to RON 16,463 mn compared to RON 12,377 mn at the end of 2020, mostly triggered by higher cash and cash equivalents, higher trade receivables following higher sales and by higher financial assets

mainly in relation to derivatives, partly offset by lower assets held for sale following the divestment of Kazakhstan subsidiaries and the transfer of 40 marginal onshore oil and gas fields.

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. On May 14, 2021, OMV Petrom S.A. completed the sale.

**Total equity** increased to RON 32,870 mn as of December 31, 2021 compared to RON 32,013 mn as of December 31, 2020, as a result of the net profit generated in the current period partially offset by the distribution of dividends for the financial year 2020 in a gross amount of RON 1,756 mn (gross dividend per share of RON 0.031). The equity ratio slightly decreased to 67% as of December 31, 2021 (December 31, 2020: 69%).

**Total liabilities** increased by 9% to RON 16,008 mn as of December 31, 2021, as a consequence of an increase in current liabilities, partially offset by the decrease in non-current liabilities.

The decrease 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 6,234 mn as of December 31, 2021, both short and long term (December 31, 2020: RON 7,511 mn). Revisions in estimates for decommissioning and restoration provisions arise mainly from the yearly reassessment of the unit cost, revision of the estimated net discount rates, as well as the expected timing of the decommissioning and restoration.

The increase in **current liabilities**, excluding those associated with assets held for sale was largely due to higher financial liabilities mainly in relation to derivatives, higher Upstream specific tax liabilities and higher trade payables following higher acquisitions.

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, 2021.

### Cash flow

Cash flow from operating activities increased as compared to 2020, due the higher operating result, partly offset by the unfavorable evolution in working capital. Cash outflows in 2021 consisted mainly in acquisition of tangible and intangible assets, payments of dividends, and working capital.

At the Annual General Meeting of Shareholders held on April 27, 2021, 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 1,741 mn in 2021.

At the Annual General Meeting of Shareholders held on April 19, 2020, the shareholders of OMV Petrom S.A. approved the distribution of RON 0.031 gross dividends per share. The Company paid dividends in the amount of RON 1,740 mn in 2020.

### Changes in consolidated OMV Petrom Group

Compared with the consolidated financial statements as of December 31, 2020, consolidated Group changed as follows:

On May 14, 2021, OMV Petrom S.A. completed the sale of its 100% owned subsidiaries in Kazakhstan, Tasbulat Oil Corporation LLP and Kom Munai LLP, to Magnetic Oil Limited. The subsidiaries were deconsolidated starting with the divestment date.

OMV Petrom Georgia LLC, a new subsidiary of OMV Petrom S.A. incorporated in Georgia, is fully consolidated in the group financial statements starting with Q3/21.

On December 15, 2021, OMV Petrom S.A. acquired the remaining 0.01% interest in the subsidiary OMV Petrom Gas S.R.L., reaching the ownership of 100% in this subsidiary.

The detailed structure of the consolidated companies in OMV Petrom Group at December 31, 2021 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 2021. This report will be published together with the financial statements of OMV Petrom S.A. for the year ended December 31, 2021.

**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 2021 will be published by May 31, 2022.

6. Corporate governance statement<sup>viii</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 and on the in the Company's website, About Us section, Corporate Governance sub-section.
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	√		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,

<sup>viii</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
<p>case of Premium Tier Companies. Each member of the Supervisory Board should submit a declaration that he/she is independent at the moment of his/her nomination for election or re-election as well as when any change in his/her status arises, by demonstrating the ground on which he/she is considered independent in character and judgment.</p>			<p>the balance between executives and non-executives is ensured.</p> <p>Upon (re)appointing each Supervisory Board member, the Company conducts an independence evaluation based on the independence criteria provided by the Corporate Governance Code (which are substantially similar to those provided by the Company Law). The independence evaluation consists of an individual personal assessment carried out by the relevant Supervisory Board member and is then followed by an external assessment to confirm the independence resulted following such individual personal assessment, as the case may be.</p> <p>Moreover, for the purpose of preparing the Corporate Governance Report of the Annual Report, the Company reconfirmed with all Supervisory Board members their independent or non-independent status as of December 31, 2021.</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>
<p>A.5. A Board member's other relatively permanent professional commitments and engagements, including executive and non-executive Board positions in companies and not-for-profit institutions, should be disclosed to shareholders and to potential investors before appointment and during his/her mandate.</p>	√		<p>Information on the Supervisory Board and Executive Board members' permanent professional commitments and engagements, including executive and non-executive positions in companies and not-for-profit institutions is included in the Supervisory Board and Executive Board members' CVs, available on the Company's corporate website, within the About Us section, Supervisory Board and Executive Board sub-sections.</p>
<p>A.6. Any member of the Board should submit to the Board information on any relationship with a shareholder who holds either directly or indirectly, shares representing more than 5% of all voting rights.</p>	√		<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>
<p>A.7. The company should appoint a Board secretary responsible for supporting the work of the Board.</p>	√		<p>The Company has a General Secretary, who supports the works of both the Executive Board and Supervisory Board (including its committees).</p>
<p>A.8. The corporate governance statement should inform on whether an evaluation of the</p>	√		<p>Based on a Supervisory Board Self-Evaluation Guideline which provides the purpose, criteria, and frequency of such an evaluation, the Supervisory Board</p>

Provisions of the Bucharest Stock Exchange Corporate Governance Code	Complies	Does not comply or partially complies	Comments
<p>Board has taken place under the leadership of the chairman or the nomination committee and, if it has, summarize key action points and changes resulting from it. The company should have a policy/guidance regarding the evaluation of the Board containing the purpose, criteria and frequency of the evaluation process.</p>			<p>undergoes a self-evaluation process on a yearly basis. The self-evaluation is conducted under the leadership of the President of the Presidential and Nomination Committee. The outcome of the Supervisory Board's self-evaluation for 2021 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 2021, are included in the Supervisory Board Report and the Corporate Governance Report. The reports of the Supervisory Board and Executive Board for 2021 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</p>

Provisions of the Bucharest Stock Exchange Corporate Governance Code	Complies	Does not comply or partially complies	Comments
			<p>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.</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, two members of the Presidential and Nomination Committee are independent and thus, the Company is only "partially compliant" with this provision, but a progress was registered as compared to 2020, when only one independent Supervisory Board member was in the Presidential and Nomination Committee.</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. As of 28 April 2021, the Audit Committee is composed of five Supervisory Board members, out of which three are independent. Therefore, at the date of this report, the Company is “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, three members have also financial, auditing or accounting.</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 2021 as well as at the date of this</p>

Provisions of the Bucharest Stock Exchange Corporate Governance Code	Complies	Does not comply or partially complies	Comments
			report, the president of the Audit Committee meets all independence criteria provided by the Corporate Governance Code.
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:
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> <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.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,	√		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
these should be followed by cyclical (at least annual), or ad-hoc reports to be submitted to the Board afterwards.			
B.9. No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related parties.	√		The Company applies equal treatment to all its shareholders. According to the internal Policy on Related Party Transactions in place within the Company, related party transactions are considered on their merits in accordance with the normal industry standards, applicable laws and corporate regulations.
B.10. The Board should adopt a policy ensuring that any transaction of the company with any of the companies with which it has close relations, that is equal to or more than 5% of the net assets of the company (as stated in the latest financial report), should be approved by the Board following an obligatory opinion of the audit committee and fairly disclosed to the shareholders and potential investors, to the extent that such transactions fall under the category of events subject to disclosure requirements.	√		<p>The Company adopted an internal Policy on Related Party Transactions providing for the main principles of review, approval and disclosure of related party transactions, according to the 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.</p> <p>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.</p>
B.11. The internal audits should be carried out by a separate structural division (internal audit department) within the company or by retaining an independent third-party entity.	√		Internal audits are carried out by a separate structural department within the Company, namely the Internal Audit department.
B.12. To ensure the fulfillment of the core functions of the internal audit department, it should report functionally to the Board via the audit committee. For administrative purposes and in the scope related to the obligations of the management to monitor and mitigate risks, it should report		√	<p>The Internal Audit department administratively reports to the CEO. Still, the Internal Audit department continues to maintain some functional reporting to the Executive Board, meaning that the Company only "partially complies" with this provision.</p> <p>Nonetheless, the Audit Committee is regularly informed about the main internal audit findings and other activities of the Internal Audit department. Moreover, the Audit Committee approves the audit charter (which stands for the terms of reference of the Internal Audit</p>

Provisions of the Bucharest Stock Exchange Corporate Governance Code	Complies	Does not comply or partially complies	Comments
directly to the chief executive officer.			<p>department and which describes its purpose, authority and responsibility) and approves the annual internal audit plan. Therefore, in our opinion, the independence and objectivity of the internal audit function is not impaired by this reporting structure. Likewise, the Internal Audit Department did not encounter, in its past experiences, cases that could be considered as jeopardizing its independence or objectivity due to these functional reporting lines.</p> <p>The Company is 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>Starting with the 2021 financial year, the Company has a Remuneration Policy which 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>The Remuneration Policy is available on the corporate website in the About Us section, Corporate Governance sub-section.</p> <p>The implementation of the Remuneration Policy and the performance outcomes are presented in the annual Remuneration Report for OMV Petrom's Executive Board and Supervisory Board. The 2021 Remuneration Report for OMV Petrom's Executive Board and Supervisory Board will be submitted for consultative vote in the Ordinary GMS on 27 April 2022.</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</p>	√		<p>The Company has a special department dedicated to Investor Relations that can be contacted via e-mail at investor.relations.petrom@petrom.com.</p> <p>Likewise, OMV Petrom has a special section of the corporate website dedicated to Investor Relations, where the following main information/documents are available, both in English and Romanian:</p> <ul style="list-style-type: none"> <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> </ul>

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

Provisions of the Bucharest Stock Exchange Corporate Governance Code	Complies	Does not comply or partially complies	Comments
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 each year. The information	√		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

Provisions of the Bucharest Stock Exchange Corporate Governance Code	Complies	Does not comply or partially complies	Comments
<p>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>decision.                      In 2021, 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 all online. With the occasion of the Strategy 2030 release, the Company also organised a Capital Market Day and a virtual non deal road show. For more details, please also see the Annual Report's section relating to OMV Petrom on the capital markets.                      The Investor Presentations were made available at the time of the meetings / conferences on the corporate website, in the Investors section, Events, Roadshows and Conferences sub-sections.</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 it 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 2021, 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 separate financial statements for the year ended December 31, 2021 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 OMV Petrom S.A. assets, liabilities, financial position and profit or loss, as required by the

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, 2022**

### The Executive Board

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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

## 7. Annexes

### a. List of consolidated companies in OMV Petrom Group at December 31, 2021

<b>Parent company</b>			
<b>OMV Petrom S.A.</b>			
<b>Subsidiaries</b>			
<b>UPSTREAM</b>		<b>DOWNSTREAM OIL</b>	
OMV Offshore Bulgaria GmbH	100.00%	OMV Petrom Marketing S.R.L.	100.00%
OMV Petrom Georgia LLC	100.00%	Petrom Moldova S.R.L.	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.	100.00%	Petromed Solutions S.R.L.	99.99%
<b>Associated company, accounted for at equity</b>			
OMV Petrom Global Solutions S.R.L.			25.00%

<sup>1</sup> 1 (one) share owned through OMV Petrom Marketing S.R.L.

**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 2021</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)
BAYP	Bayport Polymers LLC
BHOLAT	OMV Borealis Holding GmbH
BORAAG	Borealis AG
BABSWE	Borealis AB
BAGMDE	Borealis Agrolinz Melamine Deutschland GmbH
BAGMAT	Borealis Agrolinz Melamine GmbH
BANTBE	Borealis Antwerpen N.V.
BBNHUS	Borealis BoNo Holdings LLC
BBRA	Borealis Brasil S.A.
BCHIFR	Borealis Chimie S.A.S.
BCIRC	Borealis Circular Solutions Holding GmbH
BCOMUS	Borealis Compounds Inc.
BFSBE	Borealis Financial Services N.V.
BFR	Borealis France S.A.S.
BGSNOR	Borealis Group Services AS
BINDNK	Borealis Insurance A/S (captive insurance company)
BIT	Borealis ITALIA S.p.A.
BKALBE	Borealis Kallo N.V.
BLASRB	Borealis L.A.T doo Beograd
BLATFR	Borealis L.A.T France S.A.S.
BLATAT	Borealis L.A.T GmbH
BPLNLD	Borealis Plastomers B.V.
BPODE	Borealis Polymere GmbH
BPOBE	Borealis Polymers N.V.
BPOFIN	Borealis Polymers Oy
BPOAT	Borealis Polyolefine GmbH
BPECFR	Borealis Produits et Engrais Chimiques du Rhin S.A.S.
BQESP	Borealis Química España S.A.
BSVSWE	Borealis Sverige AB
BTOFIN	Borealis Technology Oy
BUK	Borealis UK LTD
BUS	Borealis USA Inc.
BDYKOR	DYM Solution CO., LTD
BECOAT	Ecoplast Kunststoffrecycling GmbH
BETSWE	Etenförsörjning i Stenungsund AB
BFEBGR	FEBORAN EOOD

BMTCDE	mtm compact GmbH
BMTPDE	mtm plastics GmbH
BNOVUS	Novealis Holdings LLC
BROSFR	Rosier France S.A.S.
BROSBE	Rosier S.A.
BRONLD	Rosier Nederland B.V.
BSBHUS	Star Bridge Holdings LLC
BORO	Borouge Pte. Ltd.
BRENA	Renasci N.V.
BULG	OMV BULGARIA OOD
C2PATG	C2PAT GmbH
C2PATK	C2PAT GmbH & Co KG
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.
EPHNZ	Energy Petroleum Holdings Limited
EPILNZ	Energy Petroleum Investments Limited
EPSKG	EPS Ethylen-Pipeline-Süd GmbH & Co KG
FETRDE	Avanti Deutschland GmbH
FREYKG	Freya Bunde-Etzel GmbH & Co. KG
GASTR	OMV Enerji Ticaret Anonim Şirketi
GENMBH	GENOL Gesellschaft m.b.H.
HUB	Central European Gas Hub AG
ISERV	OMV - International Services Ges.m.b.H.
MOLDO	Petrom-Moldova S.R.L.
NEO	Neochim AD
NZEA	OMV New Zealand Limited
OABUAE	OMV Abu Dhabi Offshore GmbH
OADP	OMV Abu Dhabi Production GmbH
OAUST	OMV AUSTRALIA PTY LTD
OBINA	OMV Bina Bawi GmbH
OCTS	OMV Clearing und Treasury GmbH
ODUNA	DUNATÁR Kőolajtermék Tároló és Kereskedelmi Kft.
OEPA	OMV Austria Exploration & Production GmbH
OETAL	Transalpine Ölleitung in Österreich Gesellschaft m.b.H.
OFFBLG	OMV Offshore Bulgaria GmbH
OFFMOR	OMV Offshore Morondava GmbH
OFS	OMV Finance Services GmbH
OFSNOK	OMV Finance Services NOK GmbH
OFSUSD	OMV Finance Solutions USD GmbH
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
OGSG	OMV Gas Storage Germany GmbH
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
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
OMVDR	OMV Retail Deutschland GmbH, Burghausen
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 SRL
OPLNZ	OMV NZ Production Limited
ORMMEA	OMV Refining & Marketing Middle East & Asia GmbH
OSERB	OMV SRBIJA d.o.o.
OSTIT	OMV Supply & Trading Italia S.r.l.
OSUPE	OMV Supply & Trading AG
OTCH	OMV Česká republika, s.r.o.
OTNPRO	OMV (Tunisien) Production GmbH
OTRAD	OMV Supply & Trading Limited
OUPI	OMV Upstream International GmbH
OYEM70	OMV Block 70 Upstream GmbH
OYEM86	OMV Myrre Block 86 Upstream GmbH
PARCO	Pak-Arab Refinery Limited
PCGAS	EEX CEGH Gas Exchange Services GmbH
PDYNHU	PETRODYNE-CSEPEL Zrt.
PEARL	Pearl Petroleum Company Limited
PETAV	OMV PETROM Aviation S.R.L.
PETEX	OMV Petroleum Exploration GmbH
PETGAS	OMV PETROM GAS SRL
PETGEO	OMV PETROM GEORGIA LLC

PETMED	PETROMED SOLUTIONS SRL
PETPO	PetroPort Holding AB
POGI	OMV Gaz Iletim A.S.
ROMAN	OMV PETROM MARKETING SRL
SEAMMY	SapuraOMV Upstream (Americas) Sdn. Bhd.
SEAUMY	SapuraOMV Upstream (Australia) Sdn. Bhd.
SEBLMX	SapuraOMV Block 30, S. de R.L. de C.V.
SEMXYM	SapuraOMV Upstream (Mexico) Sdn. Bhd.
SEMYBH	SapuraOMV Upstream (Malaysia) Inc.
SEZMY	SapuraOMV Upstream (NZ) Sdn. Bhd.
SEOCMY	SapuraOMV Upstream (Oceania) Sdn. Bhd.
SESABH	SapuraOMV Upstream (Southeast Asia) Inc.
SESWMY	SapuraOMV Upstream (Sarawak) Inc.
SEUPMY	SapuraOMV Upstream (Holding) Sdn. Bhd.
SEWEAU	SapuraOMV Upstream (Western Australia) Pty Ltd
SIOT	Società Italiana per l'Oleodotto Transalpino S.p.A.
SLOVJA	OMV SLOVENIJA trgovina z nafto in naftnimi derivati, d.o.o.
SNGPRU	OJSC Severneftegazprom
SNO	OMV Solutions GmbH
SOUPMY	SapuraOMV Upstream Sdn. Bhd.
YEALMA	OMV (YEMEN) Al Mabbar Exploration GmbH
YEM2	OMV (Yemen Block S 2) Exploration GmbH
YRGMRU	JSC GAZPROM YRGM Development

### c. Definitions

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#### 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 %

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## Contact and Disclaimer

### Contact at Investor Relations

OMV Petrom S.A.

Mailing address: 22 Coralilor Street, District 1, Bucharest

Tel: +40 (0) 372 161 930; Fax: +40 (0) 372 868 518

E-mail: [investor.relations.petrom@petrom.com](mailto:investor.relations.petrom@petrom.com)

### Disclaimer:

This report does not, and is not intended to, constitute or form part of, and should not be construed as, constituting or forming part of, any actual offer to sell or issue, or any solicitation of any offer to purchase or subscribe for, any shares issued by the Company or any of its subsidiaries in any jurisdiction or any inducement to enter into investment activity; nor shall this document or any part of it, or the fact of it being made available, form the basis of, or be relied on in any way whatsoever. No part of this report, nor the fact of its distribution, shall form part of or be relied on in connection with any contract or investment decision relating thereto; nor does it constitute a recommendation regarding the securities issued by the Company. The information and opinions contained in this report and any other information discussed in here are provided as at the date of this report, have not been independently verified and may be subject to updating, revision, amendment or change without notice. Where this report quotes any information or statistics from any external source, it should not be interpreted that the Company has adopted or endorsed such information or statistics as being accurate.

No reliance may be placed for any purpose whatsoever on the information contained in this report, or any other material discussed verbally. No representation or warranty, express or implied, is given as to the accuracy, fairness or correctness of the information or the opinions contained in this document or on its completeness and no liability is accepted for any such information, for any loss howsoever arising, directly or indirectly, from any use of this report or any of its content or otherwise arising in connection therewith.

This report may contain forward-looking statements. These statements reflect the Company's current knowledge and its expectations and projections about future events and may be identified by the context of such statements or words such as "anticipate," "believe," "estimate," "expect", "intend", "plan", "project", "target", "may", "will", "would", "could" or "should" or similar terminology.

None of the future projections, expectations, estimates or prospects in this report, including (without being limited to) net zero emission target, EBIT target, dividend, production evolution, price assumptions in base and downside scenarios should 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. By their nature, forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond the Company's control, including (without being limited to): (a) price fluctuations and changes in demand for Company's products; (b) currency fluctuations; (c) drilling and production results; (d) reserves estimates; (e) loss of market share and industry competition; (f) environmental risks; (g) changes in legislative, fiscal and regulatory framework; (h) economic and financial market conditions in countries of operation; (i) political risks; (j) risks associated with the impact of pandemics, such as the COVID-19 (coronavirus); and (k) changes in trading conditions, that could cause the Company's actual results and performance to differ materially from any expected future results or performance expressed or implied by any forward-looking statements. 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.

**OMV PETROM S.A.**  
**SEPARATE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**DECEMBER 31, 2021**

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

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# OMV PETROM S.A.

## STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2021

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

	Notes	December 31, 2021	December 31, 2020
<b>ASSETS</b>			
Intangible assets	5	2,693.74	2,620.93
Property, plant and equipment	6	23,897.03	25,872.41
Investments	7	1,732.08	1,747.47
Other financial assets	8	2,306.46	2,425.37
Other assets	9	321.83	221.80
Deferred tax assets	17	1,463.63	1,464.75
<b>Non-current assets</b>		<b>32,414.77</b>	<b>34,352.73</b>
Inventories	10	1,809.94	1,652.09
Trade receivables	8	2,635.69	1,309.30
Other financial assets	8	1,730.97	1,207.63
Other assets	9	217.75	183.58
Cash and cash equivalents		10,053.93	7,304.97
<b>Current assets</b>		<b>16,448.28</b>	<b>11,657.57</b>
Assets held for sale	11	14.83	719.24
<b>Total assets</b>		<b>48,877.88</b>	<b>46,729.54</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	12	5,664.41	5,664.41
Reserves		27,205.30	26,348.53
<b>Total equity</b>		<b>32,869.71</b>	<b>32,012.94</b>
Provisions for pensions and similar obligations	13	163.28	205.40
Interest-bearing debts	14	16.49	108.94
Lease liabilities	6, 15	295.43	340.22
Provisions for decommissioning and restoration obligations	13	6,032.03	7,244.66
Other provisions	13	660.65	634.79
Other financial liabilities	15	57.25	4.21
Other liabilities	16	52.01	14.09
<b>Non-current liabilities</b>		<b>7,277.14</b>	<b>8,552.31</b>
Trade payables	15	2,500.80	2,323.59
Interest-bearing debts	14	1,871.04	1,509.15
Lease liabilities	6, 15	138.05	120.62
Income tax liabilities		157.10	38.30
Other provisions and decommissioning	13	383.42	505.52
Other financial liabilities	15	2,657.77	747.84
Other liabilities	16	1,022.85	645.56
<b>Current liabilities</b>		<b>8,731.03</b>	<b>5,890.58</b>
Liabilities associated with assets held for sale	11	-	273.71
<b>Total equity and liabilities</b>		<b>48,877.88</b>	<b>46,729.54</b>

# OMV PETROM S.A.

## INCOME STATEMENT

### FOR THE YEAR ENDED DECEMBER 31, 2021

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

	Notes	2021	2020
Sales revenues	18, 26	21,486.04	15,437.24
Other operating income	19	172.64	407.16
Net income from consolidated subsidiaries and investments in associates	20	354.51	665.11
<b>Total revenues and other income</b>		<b>22,013.19</b>	<b>16,509.51</b>
Purchases (net of inventory variation)		(8,207.38)	(5,939.65)
Production and operating expenses		(4,086.83)	(3,416.87)
Production and similar taxes		(1,982.86)	(857.58)
Depreciation, amortization, impairments and write-ups	22	(3,182.01)	(2,884.08)
Selling, distribution and administrative expenses		(759.89)	(769.05)
Exploration expenses		(189.08)	(806.67)
Other operating expenses	21	(239.14)	(336.79)
<b>Operating result</b>	26	<b>3,366.00</b>	<b>1,498.82</b>
Interest income	23	160.03	335.29
Interest expenses	23	(485.85)	(319.80)
Other financial income and expenses	24	67.02	(10.41)
<b>Net financial result</b>		<b>(258.80)</b>	<b>5.08</b>
<b>Profit before tax</b>		<b>3,107.20</b>	<b>1,503.90</b>
Taxes on income	25	(418.78)	(122.32)
<b>Net income for the year</b>		<b>2,688.42</b>	<b>1,381.58</b>

OMV PETROM S.A.  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2021

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

	2021	2020
<b>Net income for the year</b>	<b>2,688.42</b>	<b>1,381.58</b>
Gains/(losses) on hedges arising during the year	(131.60)	467.80
Reclassification of (gains)/losses on hedges to income statement	7.43	(371.31)
<b>Total of items that may be reclassified ("recycled") subsequently to the income statement</b>	<b>(124.17)</b>	<b>96.49</b>
Remeasurement gains/(losses) on defined benefit plans	18.16	(12.25)
Gains/(losses) on hedges that are subsequently transferred to the carrying amount of the hedged item	57.22	(134.60)
<b>Total of items that will not be reclassified ("recycled") subsequently to the income statement</b>	<b>75.38</b>	<b>(146.85)</b>
Income tax relating to items that may be reclassified ("recycled") subsequently to the income statement	19.87	(15.44)
Income tax relating to items that will not be reclassified ("recycled") subsequently to the income statement	(12.07)	23.50
<b>Total income tax relating to components of other comprehensive income</b>	<b>7.80</b>	<b>8.06</b>
<b>Other comprehensive income/(loss) for the year, net of tax</b>	<b>(40.99)</b>	<b>(42.30)</b>
<b>Total comprehensive income for the year</b>	<b>2,647.43</b>	<b>1,339.28</b>

# OMV PETROM S.A.

## STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR ENDED DECEMBER 31, 2021

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

#### Statement of changes in equity for the year ended December 31, 2021

	Share capital	Revenue reserves	Cash flow hedge reserve	Other reserves	Treasury shares	Total equity
<b>Balance at January 1, 2021</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>
Net income for the year	-	2,688.42	-	-	-	<b>2,688.42</b>
Other comprehensive income/(loss) for the year	-	15.25	(56.24)	-	-	<b>(40.99)</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>2,703.67</b>	<b>(56.24)</b>	<b>-</b>	<b>-</b>	<b>2,647.43</b>
Dividends distribution	-	(1,755.96)	-	-	-	<b>(1,755.96)</b>
Reclassification of cash flow hedges to balance sheet	-	-	(36.15)	-	-	<b>(36.15)</b>
Other changes	-	-	-	1.45	-	<b>1.45</b>
<b>Balance at December 31, 2021</b>	<b>5,664.41</b>	<b>27,146.25</b>	<b>(18.03)</b>	<b>77.10</b>	<b>(0.02)</b>	<b>32,869.71</b>

#### 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>

For details on equity components, see Note 12.

# OMV PETROM S.A.

## STATEMENT OF CASH FLOWS

### FOR THE YEAR ENDED DECEMBER 31, 2021

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

	Notes	2021	2020
<b>Profit before tax</b>		<b>3,107.20</b>	<b>1,503.90</b>
Dividend income		(369.15)	(562.20)
Interest income	23	(133.85)	(263.10)
Interest expenses and other financial expenses	23, 24	55.28	53.87
Net movement in provisions and allowances for:			
- Investments and loans		15.39	(122.19)
- Inventories		1.87	9.56
- Receivables		10.28	(23.99)
- Pensions and similar liabilities		(23.96)	(39.17)
- Decommissioning and restoration obligations		(98.31)	74.96
- Other provisions for risk and charges		(45.92)	33.56
Net gains on the disposal of businesses and non-current assets	19, 21	(63.53)	(43.47)
Net gains on the disposals of financial assets	24	(72.89)	-
Depreciation, amortization and impairments including write-ups		3,279.41	3,565.87
Other non-monetary adjustments	29	1,104.39	(105.66)
Dividends received		369.15	562.20
Interest received		124.81	195.47
Interest and other financial costs paid		(42.38)	(48.51)
Tax on profit paid		(283.89)	(315.90)
<b>Cash generated from operating activities before working capital movements</b>		<b>6,933.90</b>	<b>4,475.20</b>
(Increase)/decrease in inventories		(169.18)	284.50
(Increase)/decrease in receivables		(1,050.48)	642.10
Increase/(decrease) in liabilities		659.89	(7.98)
<b>Cash flow from operating activities</b>		<b>6,374.13</b>	<b>5,393.82</b>
<b>Investments</b>			
Intangible assets and property, plant and equipment		(2,676.68)	(3,056.25)
Investments in subsidiaries	29	-	(41.43)
Net loans reimbursed by/(given to) subsidiaries	29	35.23	(109.29)
<b>Disposals</b>			
Proceeds in relation to non-current assets	29	85.92	201.27
Proceeds from transfer of business	29	43.00	-
Proceeds from disposal of investments	29	488.63	71.59
<b>Cash flow from investing activities</b>		<b>(2,023.90)</b>	<b>(2,934.11)</b>
Increase in/ (net repayment of) loans taken from subsidiaries	29	280.25	(42.74)
Net repayments of other borrowings	29	(150.93)	(163.04)
Dividends paid		(1,740.98)	(1,740.32)
<b>Cash flow from financing activities</b>		<b>(1,611.66)</b>	<b>(1,946.10)</b>
Effect of foreign exchange rate changes on cash and cash equivalents		10.39	(3.94)
<b>Net increase in cash and cash equivalents</b>		<b>2,748.96</b>	<b>509.67</b>
Cash and cash equivalents at the beginning of the year		7,304.97	6,795.30
<b>Cash and cash equivalents at the end of the year</b>		<b>10,053.93</b>	<b>7,304.97</b>

# OMV PETROM S.A.

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2021

(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.

Starting with January 1, 2022, OMV Petrom’s business segments were renamed as follows: Upstream to Exploration & Production; Downstream Oil to Refining & Marketing, and Downstream Gas to Gas & Power.

### Stockholders’ structure as at December 31, 2021 and 2020

	Percent 2021	Percent 2020
OMV Aktiengesellschaft	51.011%	51.011%
Romanian State	20.639%	20.639%
Fondul Proprietatea S.A.	6.997%	6.997%
Legal entities and private individuals	21.353%	21.353%
<b>Total</b>	<b>100.000%</b>	<b>100.000%</b>

As of December 31, 2021 the number of Global Depository Receipts (GDRs) was 111,494, equivalent of 16,724,100 ordinary shares, representing 0.030% of the share capital.

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.

### 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:

<https://www.omvpetrom.com/en/investors/publications>.

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”) and are prepared 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.

### Effect of climate-related matters and energy transition

OMV Petrom has considered the short- and long-term effects of climate change and energy transition in preparing the separate financial statements. The significant accounting estimates performed by management incorporate the future effects of OMV Petrom's own strategic decisions and commitments on having its portfolio adhered to the energy transition targets, short and long-term impacts of climate-related matters and energy transition to lower carbon energy sources together with management's best estimate on global supply and demand, including forecasted commodities prices.

OMV Petrom is aware of its responsibility and will live up to its commitment to the Paris Agreement and the EU climate targets.

Nevertheless, there is significant uncertainty around the changes in the mix of energy sources over the next 30 years and the extent to which such changes will meet the ambitions of the Paris Agreement. While companies can commit to such ambitions, financial reporting under IFRS requires the use of assumptions that represent management's current best estimate of the range of expected future economic conditions, which may differ from such ambitions.

OMV Petrom Group operates on a regional market with regional products and expects to see energy transition at different pace in the different countries where it operates. Hence, OMV Petrom's mid term plan assumptions, which are used for estimates in different areas of the financial statements, including impairment of assets, useful lives and decommissioning provisions, are based on a scenario, which is based on the International Energy Agency ("IEA") Stated Policies Scenario (STEPS) taken from the World Economic Outlook and adjusted such that the EU, the United States, China, Japan and South Korea (with a two-year delay for political alignment and measuring effectiveness) are following the IEA Sustainable Development Scenario ("SDS") and meeting the Paris Agreement targets.

To recognize the uncertainty in the pace of the energy transition, OMV Petrom performed a stress test analysis, using a decarbonization scenario which is built on the IEA SDS Scenario, where the entire world reaches the Paris Agreement commitment to be net-zero by 2070. The goal of this analysis is to assess the impact of this scenario on the recoverability of assets and valuation of liabilities.

The entire world following the Paris agreement targets has an impact on the global demand which impacts the oil and gas price assumptions, CO<sub>2</sub> price assumptions, refining margins, power prices and spreads as well as volume development expectations which have been used in the stress test analysis.

### **Recoverability of assets**

Commodity price assumptions may have a significant impact on the recoverable amounts of E&A assets and PPE.

Oil price assumptions have already been revised in 2020 to reflect changes in the market environment and led to net impairments of Upstream tangible assets of RON 346.37 million before tax and write-offs of exploration intangibles of RON 599.09 million before tax. In 2021, the oil and gas price assumptions in the mid term plan scenario, which reflect the potential impact of energy transition, did not materially change in comparison to 2020. Consequently, no impairment losses or reversals of impairments due to changes in price assumptions were recorded.

Management continues to monitor the relevant commodity price assumptions in the future. This might lead to additional impairment losses or reversals of impairments.

In the stress test, OMV Petrom assumes for the Upstream segment a USD 15-20 lower long term oil price than in the mid term plan scenario. According to this stress case, the carrying amounts of the oil and gas assets with proved reserves would have to be decreased by RON 10 billion; the value of oil and gas assets with unproved reserves that would be abandoned is not significant. The remaining carrying amount of property, plant and equipment of oil and gas assets with a share of oil production higher than 55% would be RON 5 billion in this stress case scenario.

In the Downstream Oil segment, the stress case reflects globally declining volume developments for almost all products resulting in negative growth rates and further decline in margins compared to the mid term plan scenario. This would lead to a further decrease in the carrying amount in total of RON 2 billion related to the Petrobrazil refinery.

In Downstream Gas the stress case reflects mainly an increase in the CO<sub>2</sub> prices, however long term expectations are that this increase would be reflected in the energy prices, and therefore this would not generate any impairment of Brazil gas fired power plant.

The stress case was calculated using a simplified method. The calculation is based on a discounted cash flows model similar to a value in use calculation where no future investments for enhancements, improvements and restructuring have been considered. In the Upstream segment, the cash flows are based on an adjusted mid-term planning for five years and a life of field planning for the remaining years until abandonment. In the Downstream Oil segment, the cash flows of the 5-year mid-term planning and a terminal value are included. The (negative) growth rates used for calculating the terminal value are estimated in line with the expected changes in the demand of the various products over the next 20 years. The stress case does not include any other changes to input factors than prices and volumes. It does not consider consequential changes that management could implement such as cost reductions, reserve reviews, divestments, and changes in business plans. The amounts presented above should therefore not be seen as a best estimate of an expected impairment impact following such a scenario.

### **Useful lives**

The tangible assets in Downstream Oil will in average be fully depreciated over the next 6 years. Demand for petroleum products is expected to stay robust over this period of time. It is therefore not expected that energy transition has a material impact on the expected useful lives of property, plant, and equipment in the Downstream Oil segment.

Average remaining proved (1P) reserves life ratio, assuming current annual production, is 9 years and depreciation is calculated based on the "unit-of-production" method, therefore OMV Petrom does not expect that energy transition has a material impact on the useful lives of property, plant and equipment in the Upstream segment.

As OMV Petrom doesn't see the Downstream Gas segment materially impacted by the energy transition, there is also no material impact on useful lives expected in this segment.

**Decommissioning provisions**

The economic cut-off date of Upstream oil and gas assets does not shift significantly under the stress case scenario. The impact on the carrying amount of the decommissioning provisions is therefore expected to be immaterial.

For refinery, no decommissioning provisions are recognized. The Petrobrazil refinery is expected to continue to be used for production even under a Paris-aligned energy transition scenario.

**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 reviewed externally periodically (usually every two years). The last external review for oil and gas reserves was performed in 2021 for the reserves as of year-end 2020. Commercial reserves are evaluated according to internal regulations, which are in line with the industry standards.

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, 2021 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) Provisions for decommissioning and restoration obligations**

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 a "life of field" planning and therefore cover the whole life term of the field .

In 2021, there were no significant changes in the assumptions in comparison to 2020. 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.

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

Oil price assumptions in 2021	2022	2023	2024	2025	2026
Brent oil price (USD/bbl)	65	65	65	65	65
RON/USD exchange rate	4.14	4.14	4.14	4.14	4.14
Brent oil price (RON/bbl)	269	269	269	269	269

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

For the years 2027 until 2030, 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 2026 are based on 2026 real terms.

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 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 revisions in 2020 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.

In 2020, an increase of 1 percentage point in the after-tax discount rates would have led to an additional after-tax impairment of approximately RON 150 million. Furthermore, a Brent oil price decrease of USD 10/bbl per year would have led to an additional after-tax impairment of approximately RON 2.5 billion.

#### **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 2021 and 2020, 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 CO<sub>2</sub> 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 2021, based on management estimations it was concluded that there were no triggering indicators for performing an impairment test in Downstream Gas.

In 2020, the long-term power and CO<sub>2</sub> 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 have changed the amount of the reversal, as the recoverable amount would have been still higher than the write-up cap. Also, a decrease of 25% in the spark-spread would not have had an impact on the reversal booked.

#### **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.

The Company has adopted the following amendments to standards from January 1, 2021:

- ▶ Amendment to IFRS 16 Leases: Covid-19-Related Rent Concessions
- ▶ Amendment to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021
- ▶ Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform - Phase 2.

The amendments did not have any material impact on the company's financial statements.

#### 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 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
IFRS 17 Insurance Contracts and Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1: Classification of Liabilities as Current and Non-Current	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 8: Definition of Accounting Estimates	January 1, 2023
Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023

### 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 expenses relate exclusively to the business segment Upstream and comprise the costs associated with unproved reserves. These include geological and geophysical costs for the identification and investigation of areas with possible oil and gas reserves and administrative, legal and consulting costs in connection with exploration.

Exploration and evaluation costs are accounted for using the successful efforts method of accounting. Costs related to geological and geophysical activity are expensed as 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. Exploratory wells in progress at year -end which are determined to be unsuccessful subsequent to the statement of financial position date are treated as non-adjusting events, meaning that the costs incurred for such exploratory wells remain capitalized in the financial statements of the reporting period under review and will be expensed in the subsequent period.

## 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	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 measured at the lower of carrying amount and fair value less costs to sell. 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 are presented in the income statement within other operating expenses and 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.

As per IFRS 9 Financial Instruments, 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, as follows: the result of derivative financial instruments related to petroleum products and power is presented in sales revenues and the result of derivative financial instruments related to materials (e.g. crude oil, CO<sub>2</sub>) is presented in purchases (net of inventory variation).

However, commodity 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 and they fall under own use exemption. OMV Petrom enters into gas forward contracts with physical delivery, creating links within the value chain for the commodity. These contracts are not settled net. Therefore gas forward contracts fall under own use exemption as mentioned above.

### **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. Any such 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 (not reclassified to income statement in subsequent periods) and for other benefits in the income statement.

**Provisions for 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 financial 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 profits 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 profits 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 may 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.

#### **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, 2021 and 2020 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.

### **r) Exploration and production sharing agreements**

Exploration and production sharing agreements are contracts for oil and gas licenses in which the oil or gas production is shared between one or more oil companies and the host country/national oil company in defined proportions. Exploration expenditures are carried by the oil companies as a rule and recovered from the state or the national oil company through so called "cost oil" in a successful case only.

## 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:

Currencies	December 31, 2021	December 31, 2020
Euro (EUR)	4.9481	4.8694
US dollar (USD)	4.3707	3.9660

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, 2021</b>	<b>1,294.19</b>	<b>3,443.85</b>	<b>4,738.04</b>
Additions*	14.72	159.97	174.69
Transfers (Note 6)	-	(0.18)	(0.18)
Disposals	(2.71)	(131.44)	(134.15)
<b>Balance as at December 31, 2021</b>	<b>1,306.20</b>	<b>3,472.20</b>	<b>4,778.40</b>
<b>ACCUMULATED AMORTIZATION AND IMPAIRMENT</b>			
<b>Balance as at January 1, 2021</b>	<b>1,177.11</b>	<b>940.00</b>	<b>2,117.11</b>
Amortization	8.04	0.74	8.78
Impairment	-	92.74	92.74
Transfers (Note 6)	-	-	-
Disposals	(2.39)	(131.44)	(133.83)
Write ups	-	(0.14)	(0.14)
<b>Balance as at December 31, 2021</b>	<b>1,182.76</b>	<b>901.90</b>	<b>2,084.66</b>
<b>CARRYING AMOUNT</b>			
As at January 1, 2021	<b>117.08</b>	<b>2,503.85</b>	<b>2,620.93</b>
As at December 31, 2021	<b>123.44</b>	<b>2,570.30</b>	<b>2,693.74</b>

\*) Includes the amount of RON 0.63 million representing increase 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, 2021 and 2020.

## 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, 2021</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>
Additions	9.38	1,868.33	64.84	79.68	467.43	2,489.66
Transfers*	18.80	(51.39)	332.48	2.98	(302.69)	0.18
Transfers to assets held for sale	(45.90)	(6.13)	(0.91)	(0.04)	–	(52.98)
Disposals**	(8.90)	(1,699.02)	(155.03)	(58.35)	–	(1,921.30)
<b>Balance as at December 31, 2021</b>	<b>2,527.86</b>	<b>41,719.77</b>	<b>11,182.56</b>	<b>748.70</b>	<b>710.46</b>	<b>56,889.35</b>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b>						
<b>Balance as at January 1, 2021</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>
Depreciation	100.44	1,831.10	706.49	111.78	–	2,749.81
Impairment	1.79	426.28	7.84	0.27	1.41	437.59
Transfers*	(0.05)	2.73	(2.68)	–	–	–
Transfers to assets held for sale	(5.36)	0.38	(0.15)	(0.01)	–	(5.14)
Disposals	(7.43)	(494.33)	(135.10)	(52.42)	–	(689.28)
Write-ups	–	(1.82)	(0.05)	–	(0.17)	(2.04)
<b>Balance as at December 31, 2021</b>	<b>1,320.91</b>	<b>24,500.59</b>	<b>6,720.58</b>	<b>430.97</b>	<b>19.27</b>	<b>32,992.32</b>
<b>CARRYING AMOUNT</b>						
<b>As at January 1, 2021</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>
<b>As at December 31, 2021</b>	<b>1,206.95</b>	<b>17,219.18</b>	<b>4,461.98</b>	<b>317.73</b>	<b>691.19</b>	<b>23,897.03</b>

\*) Net amount represents transfers from intangibles (Note 5)

\*\*) Includes the amount of RON (1,195.36) million representing decrease from reassessment of the decommissioning asset.

Expenditure capitalized in the course of construction of tangible and intangible assets amounts to RON 475.54 million (2020: RON 527.05 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 Petrobrazil Refinery, power generators and other equipment, 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. Optional periods, which have not been taken into account in the measurement of the leases, exist mainly for Upstream equipment and some transportation vehicles.

#### 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, 2021</b>	<b>53.09</b>	<b>93.04</b>	<b>282.93</b>	<b>429.06</b>
Additions	6.68	18.61	79.30	<b>104.59</b>
Depreciation	(7.30)	(23.27)	(96.11)	<b>(126.68)</b>
Other movements	(0.58)	(0.68)	(4.99)	<b>(6.25)</b>
<b>Right-of-use assets as at December 31, 2021</b>	<b>51.89</b>	<b>87.70</b>	<b>261.13</b>	<b>400.72</b>

#### Amounts recognized in income statement

	2021	2020
<b>Operating result</b>		
Short-term lease expenses	1.47	2.57
Low-value lease expenses	0.47	0.58
Variable lease expenses	4.60	3.71
Depreciation expense of right-of-use assets	126.68	120.85
<b>Net financial result</b>		
Interest expense on lease liabilities	5.70	6.28
Foreign exchange loss on lease liabilities	4.18	4.28

In addition, OMV Petrom incurred in 2021 short-term lease costs of RON 55.74 million (2020: RON 54.73 million), which were capitalized in the cost of other assets.

Variable lease payments expensed in 2021, in amount of RON 4.60 million (2020: RON 3.71 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, 2021 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	(111.17)	11.40
OMV Offshore Bulgaria GmbH	Exploration activities	100.00%	41.43	-	41.43
OMV Petrom Georgia LLC	Exploration and production services	100.00%	-	-	-
OMV Petrom Gas S.R.L.	Gas supply	100.00%	8.65	-	8.65
OMV Petrom Aviation S.R.L.	Airport services	99.99%	54.14	(17.43)	36.71
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	(0.75)	0.16
<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>(129.70)</b>	<b>1,732.08</b>

On May 21, 2021, OMV Petrom Georgia LLC was incorporated in Georgia following the signing of a Production Sharing Contract between OMV Petrom S.A. and the State of Georgia in relation to the exploration offshore Block II from Georgia.

On December 15, 2021, OMV Petrom S.A. acquired the remaining 0.01% interest in the subsidiary OMV Petrom Gas S.R.L., reaching the ownership of 100% in this subsidiary.

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 were presented under assets held for sale (see note 11).

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, 2020).

Company Name	Address	Currency	Equity at December 31, 2020 (in million currency)	Profit or (loss) for the year ended December 31, 2020 (in million currency)
<b>Subsidiaries</b>				
OMV Petrom Marketing S.R.L.	22 Coralilor Street, District 1, Bucharest, Romania	RON	1,967.54	328.27
Petrom Moldova S.R.L.	8 Iesilor Street, Chisinau, Republica Moldova	MDL	52.54	(65.66)
OMV Petrom Gas S.R.L.	22 Coralilor Street, District 1, Bucharest, Romania	RON	33.21	2.14
OMV Petrom Aviation S.R.L.	31A Aurel Vlaicu, Otopeni, Ilfov County, Romania	RON	45.54	(3.66)
Petromed Solutions S.R.L.	22 Coralilor Street, District 1, Bucharest, Romania	RON	4.31	0.80
OMV Bulgaria OOD	90 Tsarigradsko Shose Blvd., Sofia 1784, Bulgaria	BGN	136.20	15.01
OMV Srbija DOO	Omladinskih brigada 90a, Belgrade, Serbia	RSD	8,871.05	509.51
<b>Associates</b>				
OMV Petrom Global Solutions S.R.L.	22 Coralilor Street, District 1, Bucharest, Romania	RON	124.69	21.35

The movements in impairment for investments were as follows:

	<b>2021</b>
<b>January 1</b>	<b>114.31</b>
Net allocations/(releases)	15.39
<b>December 31</b>	<b>129.70</b>

## 8. TRADE RECEIVABLES AND OTHER FINANCIAL ASSETS

### a) Trade receivables

Trade receivables amount to RON 2,635.69 million as at December 31, 2021 (2020: RON 1,309.30 million).

#### Credit quality of trade receivables

December 31, 2021	Expected credit loss rate	Gross carrying amount	Expected credit loss	Net carrying amount
Risk class 1	0.07%	18.00	-	18.00
Risk class 2	0.24%	1,708.91	0.05	1,708.86
Risk class 3	1.21%	856.20	1.70	854.50
Risk class 4	10.37%	55.31	1.01	54.30
Risk class 5	100.00%	70.45	70.42	0.03
<b>Total</b>		<b>2,708.87</b>	<b>73.18</b>	<b>2,635.69</b>

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>

The movements in impairment of trade receivables are as follows:

	2021	2020
<b>January 1</b>	<b>68.90</b>	<b>68.44</b>
Amounts written off	(0.14)	(0.06)
Net remeasurement of expected credit losses	4.42	0.52
<b>December 31</b>	<b>73.18</b>	<b>68.90</b>

There was no impairment for trade receivables with related parties (see Note 28) as of December 31, 2021 and December 31, 2020.

## b) Other financial assets (net of impairment)

	Liquidity term		
	December 31, 2021	less than 1 year	over 1 year
Expenditure recoverable from Romanian State	1,841.21	80.18	1,761.03
Loans to subsidiaries (Note 28)	311.79	0.20	311.59
Derivative financial assets (Note 30)	1,556.04	1,393.94	162.10
Other financial assets	328.39	256.65	71.74
<b>Total</b>	<b>4,037.43</b>	<b>1,730.97</b>	<b>2,306.46</b>

	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>

**Expenditure recoverable from Romanian State**

As part of the privatization agreement, OMV Petrom S.A. is entitled to reimbursement by the Romanian State of part of decommissioning and environmental costs incurred to restore and clean up areas pertaining to activities prior to privatization in 2004. Consequently, OMV Petrom S.A. has recorded as receivable from the Romanian State the estimated decommissioning obligations having a net present value of RON 1,740.45 million as at December 31, 2021 (2020: RON 2,152.42 million) and the environmental liabilities with net present value of RON 100.76 million (2020: RON 249.77 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). During 2021, the amount of RON 287.62 million representing the principal was collected.

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, 2021, the arbitration procedure is ongoing.

**Derivative financial assets**

As of December 31, 2021, derivative financial assets are mainly related to unrealized power forward acquisition contracts.

**Other financial assets**

As of December 31, 2021, "Other financial assets" line includes mainly receivables from realized swaps on crude oil and petroleum products and deferred consideration from sale of business and non-current 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. During 2021 an amount of RON 37.61 million from the last two tranches was collected (see Note 29 d) and the remaining balance was written off.

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

December 31, 2021	Expected credit loss rate	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Risk class 1	0.07%	108.73	-	-	108.73
Risk class 2	0.24%	1,899.86	-	47.80	1,947.66
Risk class 3	1.21%	120.43	-	-	120.43
Risk class 4	10.37%	50.77	-	-	50.77
Risk class 5	100.00%	-	-	498.58	498.58
<b>Total</b>		<b>2,179.79</b>	<b>-</b>	<b>546.38</b>	<b>2,726.17</b>

For risk class 2, “12-month ECL” included an amount of RON 1,848.39 million and “Lifetime ECL credit impaired” included an amount of RON 47.80 million, related to expenditure recoverable from Romanian State, which are outside the scope of IFRS 9.

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, which are outside the scope of IFRS 9.

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

December 31, 2021	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%	7.24	-	47.80	55.04
Risk class 3	1.21%	0.58	-	-	0.58
Risk class 4	10.37%	2.37	-	-	2.37
Risk class 5	100.00%	-	-	498.58	498.58
<b>Total</b>		<b>10.19</b>	<b>-</b>	<b>546.38</b>	<b>556.57</b>

For risk class 2, “12-month ECL” included an amount of RON 7.18 million and “Lifetime ECL credit impaired” included an amount of RON 47.80 million, related to expenditure recoverable from Romanian State, which are outside the scope of IFRS 9.

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 the Romanian State, which are outside the scope of IFRS 9.

The amounts in the above tables do not include derivative financial assets as these are measured at fair value and neither loans to subsidiaries which are disclosed separately in Note 28.

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, 2021</b>	<b>5.55</b>	<b>-</b>	<b>540.37</b>	<b>545.92</b>
Amounts written off	-	-	(11.93)	(11.93)
Net remeasurement of expected credit losses	4.64	-	17.94	22.58
<b>December 31, 2021</b>	<b>10.19</b>	<b>-</b>	<b>546.38</b>	<b>556.57</b>

	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>

## 9. OTHER ASSETS

The carrying value of other assets was as follows:

	Liquidity term		
	December 31, 2021	less than 1 year	over 1 year
Receivable from taxes	176.40	-	176.40
Advance payments on fixed assets	179.82	112.39	67.43
Prepaid expenses and deferred charges	64.87	21.92	42.95
Rental and lease prepayments	47.43	12.38	35.05
Other non-financial assets	71.06	71.06	-
<b>Total</b>	<b>539.58</b>	<b>217.75</b>	<b>321.83</b>

	Liquidity term		
	December 31, 2020	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>

The increase in "Advance payments on fixed assets" is mainly related to Brazi power plant major maintenance.

## 10. INVENTORIES

	December 31, 2021	December 31, 2020
Crude oil	476.57	474.30
Natural gas	83.38	104.24
Other materials	304.76	272.49
Work in progress	136.48	95.44
Finished products	808.75	705.62
<b>Total</b>	<b>1,809.94</b>	<b>1,652.09</b>

The cost of materials and goods consumed during 2021 (whether used in production or re-sold) is RON 9,640.28 million (2020: RON 6,463.12 million) and includes also the cost related to CO<sub>2</sub> emissions amounting to RON 370.69 million (2020: RON 334.02 million) and the unrealized fair value gains from CO<sub>2</sub> forward contracts of RON 178.02 million (2020: RON 70.51 million).

As at December 31, 2021 and 2020 there were no inventories pledged as security for liabilities.

## 11. ASSETS HELD FOR SALE

	December 31, 2021	December 31, 2020
Land and buildings	14.83	1.39
Plant and equipment	-	226.84
Investments (see Note 7)	-	293.85
Other financial assets (see Note 28)	-	197.16
<b>Assets held for sale</b>	<b>14.83</b>	<b>719.24</b>
Provisions for decommissioning and restoration	-	273.46
Liabilities	-	0.25
<b>Liabilities associated with assets held for sale</b>	<b>-</b>	<b>273.71</b>

As at December 31, 2021, assets held for sale refer to plots of land from Corporate segment.

As at December 31, 2020, assets and liabilities held for sale referred to Upstream segment and were related to:

- ▶ the 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.  
On May 14, 2021, OMV Petrom S.A. finalized the sale of its 100% share in Kom-Munai LLP and Tasbulat Oil Corporation LLP to Magnetic Oil Limited.
- ▶ 40 marginal onshore oil and gas fields, for which OMV Petrom S.A. concluded a transfer agreement with Dacian Petroleum S.R.L. in January 2020, which led to the reclassification of related assets and liabilities to "held for sale".  
On December 1, 2021, OMV Petrom S.A. closed the transfer of 40 marginal onshore oil and gas fields to Dacian Petroleum S.R.L.

## 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, 2021 and 2020 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, 2021 and 2020. 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, 2021 and 2020. 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 560.65 million (2020: RON 500.47 million). The amount of RON 60.18 million was allocated to other reserves, representing fiscal facilities from reinvested profit in the year 2021 (2020: RON 46.41 million).

At the Annual General Meeting of Shareholders held on April 27, 2021, the shareholders of OMV Petrom S.A. approved the distribution of gross dividends in amount of RON 0.0310 per share for the financial year 2020.

On March 17, 2022, the Supervisory Board endorsed the management's proposal to distribute gross dividends of RON 0.0341 per share for the financial year 2021. The dividend proposal is subject to further approval by the Ordinary General Meeting of Shareholders, on April 27, 2022.

### 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 loss recognized in other comprehensive income, net of tax, is in amount RON 18.03 million as at December 31, 2021 (2020: unrealized gain RON 74.36 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, 2021</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	505.52
thereof long-term	205.40	7,244.66	634.79	8,084.85
Used	(13.39)	(323.50)	(122.35)	(459.24)
Net allocations/(releases)	(28.73)	(954.06)	91.04	(891.75)
<b>December 31, 2021</b>	<b>163.28</b>	<b>6,233.57</b>	<b>842.53</b>	<b>7,239.38</b>
thereof short-term	-	201.54	181.88	383.42
thereof long-term	163.28	6,032.03	660.65	6,855.96

### 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, 2021 amounts to RON 107.29 million (2020: RON 134.63 million). In addition, employees receive other benefits consisting in death and coffin benefits. Other benefits obligation as of December 31, 2021 amounts to RON 55.99 million (2020: RON 70.77 million).

Provisions have been set up based on actuarial calculations performed by qualified actuaries using the following parameters: a discount rate of 5.22% (2020: 3.35%) and an estimated average yearly salary increase of 3.00% (2020: 3.10%).

### Present value of the pensions and similar obligations

	2021	2020
<b>Present value of obligations as of January 1</b>	<b>205.40</b>	<b>232.32</b>
Current service cost	7.08	8.18
Past service cost	(13.94)	(43.73)
Interest cost	6.87	10.38
Benefits paid	(13.39)	(18.72)
Remeasurements for the year	(28.75)	16.96
<b>Present value of obligations as of December 31</b>	<b>163.28</b>	<b>205.40</b>

In 2021 and 2020 past service cost is related mainly to outsourcing and restructuring of activities in Upstream.

### 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>(7.50)</b>	<b>8.07</b>	<b>2.84</b>	<b>(2.75)</b>

**Maturity profile**

	Maturity profile			Duration
	1-5 years	6-10 years	>10 years	in years
<b>Retirement benefits</b>	<b>24.88</b>	<b>34.87</b>	<b>47.54</b>	<b>10.74</b>

**Provisions for decommissioning and restoration**

Changes in provisions for decommissioning and restoration are shown in the table below. In the event of changes in estimated restoration costs the effect of the change in present value is recognized in the period concerned. If the value increases, the increase is depreciated over the remaining useful life of the asset, and if it decreases, the decrease is deducted from capitalized asset value or recognized in the income statement if it exceeds the carrying amount of the related asset. The net discount rates applied for calculating the decommissioning and restoration costs at December 31, 2021 were 2.41% for onshore and 5.22% for offshore (2020: 0.50% for onshore and 3.10% for 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 822 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:

	2021	2020
<b>January 1</b>	<b>7,511.13</b>	<b>6,702.45</b>
Revisions in estimates	(1,205.78)	723.05
Unwinding effect	251.72	286.70
Used in current year	(323.50)	(201.07)
Transfer to liabilities associated with assets held for sale	-	-
<b>December 31</b>	<b>6,233.57</b>	<b>7,511.13</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 2021 was driven mainly by higher net discounting rates.

Impact from revision in estimates in 2020 was generated by lower net discounting rates and higher estimated average unit costs for onshore assets.

**Other provisions**

<b>December 31, 2021</b>	<b>Total</b>	<b>less than 1 year</b>	<b>over 1 year</b>
Environmental provision	386.49	46.73	339.76
Other personnel provisions	58.50	53.11	5.39
Provisions for litigations	81.82	3.01	78.81
Other	315.72	79.03	236.69
<b>Total</b>	<b>842.53</b>	<b>181.88</b>	<b>660.65</b>

<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>

**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, 2021 and 2020 represent the best estimate of the Company's experts for environmental matters. Environmental provisions are mainly computed using a net discount rate of 2.41% (2020: 0.50%).

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 561,041 emission certificates for the year 2021 (2020: 643,767 emission certificates), received during the year according to article 10a) of the Directive.

During 2021 the Company had net purchases of 2,385,751 emissions certificates (2020: net sales of 329,915 emissions certificates).

A shortfall in emission certificates is provided for. As of December 31, 2021 and December 31, 2020 the Company was not short of certificates.

## 14. INTEREST-BEARING DEBTS

As at December 31, 2021 and December 31, 2020 OMV Petrom S.A. had the following loans:

Lender	December 31, 2021	December 31, 2020
<b>Interest bearing debts short-term</b>		
European Investment Bank (a)	94.25	92.75
Cash pooling (b)	1,772.26	1,413.14
Accrued interest and other	4.58	3.33
Prepayments in relation with loan amounts drawn	(0.05)	(0.07)
<b>Total interest bearing debts short-term</b>	<b>1,871.04</b>	<b>1,509.15</b>
<b>Interest-bearing debts long-term</b>		
European Investment Bank (a)	16.49	108.98
Prepayments in relation with loan amounts drawn	-	(0.04)
<b>Total interest-bearing debts long-term</b>	<b>16.49</b>	<b>108.94</b>
thereof maturing after more than 1 year but not later than 5 years	16.49	108.94
<b>Total interest-bearing debts</b>	<b>1,887.53</b>	<b>1,618.09</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, 2021 was RON 110.74 million (equivalent of EUR 22.38 million) (2020: RON 201.73 million, equivalent of EUR 41.43 million).

(b) Cash pooling agreements with valability until April 18, 2026, 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, 2021 amounts to RON 1,574.99 million (2020: RON 1,286.09 million).

(ii) OMV Petrom Global Solutions S.R.L. for an aggregated amount of RON 250.00 million. The amount drawn as at December 31, 2021 amounts to RON 160.08 million (2020: RON 81.22 million).

(iii) OMV Petrom Gas S.R.L. for an aggregated amount of RON 150.00 million. The amount drawn as at December 31, 2021 amounts to RON 23.80 million (2020: RON 33.34 million).

(iv) Petromed Solutions S.R.L. for an aggregated amount of RON 15.00 million. The amount drawn as at December 31, 2021 amounts to RON 8.77 million (2020: RON 8.12 million).

(v) OMV Petrom Aviation S.R.L. for an aggregated amount of RON 25.00 million. The amount drawn as at December 31, 2021 amounts to RON 4.62 million (2020: RON 4.37 million).

The Company had several credit facilities in place as at December 31, 2021 and at December 31, 2020 as follows:

(c) An unsecured credit facility granted by Raiffeisen Bank S.A. up to EUR 80.00 million (equivalent of RON 395.85 million) consisting in two subfacilities: subfacility A with maturity date prolonged to December 31, 2022 (for an amount of EUR 20.00 million, equivalent of RON 98.96 million) and subfacility B with maturity date prolonged to December 31, 2025 (for an amount of EUR 60.00 million, equivalent of RON 296.89 million). Maturities for both subfacilities are subject to possibility of

further automatic extensions for successive periods of 12 months. 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., OMV Petrom Gas S.R.L. and by OMV Petrom Aviation S.R.L. only for the issuance of letters of credit and/or issuance of letters of bank guarantee. As at December 31, 2021 and 2020 no withdrawals under the overdraft were made.

(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 60.00 million (equivalent of RON 296.89 million), for issuance of letters of bank guarantee and as overdraft for working capital financing. The maturity of the credit facility is November 9, 2026. No drawings under the overdraft were made as at December 31, 2021 and 2020.

(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 445.33 million) that can be used in RON, with maturity date prolonged until April 30, 2022. The facility is designated to finance OMV Petrom's current activity and for issuance of bank guarantees, opening letters of credit and similar. The cash portion of the credit facility was not used as at December 31, 2021 and 2020.

(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 989.62 million), for issuance of letters of bank guarantee and similar and as overdraft for working capital financing. As at December 31, 2021, the maturity for letters of bank guarantee and similar is January 13, 2024 and for overdraft the maturity is January 11, 2023, 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, 2021 and 2020.

(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 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 was January 15, 2022 for overdraft purposes and March 15, 2023 for issuance of bank guarantees. The cash portion of this facility was not used as at December 31, 2020. In November 2021, the credit facility was closed.

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 80.00 million (equivalent of RON 395.85 million), to be utilized only for issuance of letters of bank guarantee and letters of credit, with maturity date prolonged to July 15, 2022. Maturity is subject to possibility of further automatic extensions for successive periods of 12 months, but not longer than July 15, 2028.

(i) An unsecured credit facility received by OMV Petrom S.A. from Banca Transilvania S.A., up to EUR 25.00 million (equivalent of RON 123.70 million), to be utilized only for issuance of letters of bank guarantee, with maturity until September 17, 2025.

(j) An unsecured credit facility received by OMV Petrom S.A. from Banca Comercială Română S.A., up to RON 22.00 million to be utilized for issuance of of guarantee instruments in favour of Romanian authorities generally in relationship with customs taxes and excises, with open-end maturity.

As at December 31, 2021 and 2020, 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, 2021	less than 1 year	over 1 year
Derivative financial liabilities (Note 30)	2,406.76	2,356.53	50.23
Other financial liabilities	308.26	301.24	7.02
<b>Total</b>	<b>2,715.02</b>	<b>2,657.77</b>	<b>57.25</b>

	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>

### Derivative financial liabilities

As of December 31, 2021, derivative financial liabilities are mainly related to unrealized power forward sales contracts.

### Other financial liabilities

As of December 31, 2021, "Other financial liabilities" line includes amounts payable related to realized swaps on crude oil and petroleum products and amounts due to employees in relation to salaries.

### 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, 2021</b>				
Interest-bearing debts	1,871.90	16.60	-	<b>1,888.50</b>
Lease liabilities	142.99	249.24	71.67	<b>463.90</b>
Trade payables	2,500.80	-	-	<b>2,500.80</b>
Derivative financial liabilities	2,356.53	50.23	-	<b>2,406.76</b>
Other financial liabilities	301.24	7.02	-	<b>308.26</b>
<b>Total</b>	<b>7,173.46</b>	<b>323.09</b>	<b>71.67</b>	<b>7,568.22</b>

	< 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>

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, 2021	less than 1 year	over 1 year
Tax liabilities	886.02	886.02	-
Social security	36.07	36.07	-
Contract liabilities	56.75	56.75	-
Deferred income	59.85	7.84	52.01
Other liabilities	36.17	36.17	-
<b>Total</b>	<b>1,074.86</b>	<b>1,022.85</b>	<b>52.01</b>

	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>

### Tax liabilities

The increase in "Tax liabilities" is mainly due to higher Upstream segment specific taxes.

### 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:

	2021	2020
<b>January 1</b>	<b>54.64</b>	<b>54.40</b>
Revenue recognized that was included in the contract liability balance at the beginning of the year	(54.38)	(28.55)
Increases due to cash received, excluding amounts recognized as revenue during the year	56.49	28.79
<b>December 31</b>	<b>56.75</b>	<b>54.64</b>

## 17. DEFERRED TAX

December 31, 2021	Deferred tax assets total	Deferred tax assets not recognized	Deferred tax assets recognized	Deferred tax liabilities
Tangible and intangible assets	431.86	-	431.86	-
Inventories	15.21	-	15.21	-
Receivables and other assets	165.50	(38.48)	127.02	3.38
Provisions for pensions and similar obligations	31.05	-	31.05	4.91
Other provisions	853.38	-	853.38	-
Liabilities	13.40	-	13.40	-
<b>Total</b>	<b>1,510.40</b>	<b>(38.48)</b>	<b>1,471.92</b>	<b>8.29</b>
Netting (same tax jurisdiction/country)	-	-	(8.29)	(8.29)
<b>Deferred tax, net</b>	<b>-</b>	<b>-</b>	<b>1,463.63</b>	<b>-</b>

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>-</b>	<b>-</b>	<b>1,464.75</b>	<b>-</b>

## 18. SALES REVENUES

	2021	2020
Revenues from contracts with customers	21,039.08	13,865.83
Revenues from other sources	446.96	1,571.41
<b>Total sales revenues</b>	<b>21,486.04</b>	<b>15,437.24</b>

### Revenues from contracts with customers

In the following tables, revenues recorded in 2021 and 2020 are disaggregated by products and reportable segments.

2021	Upstream	Downstream	thereof Downstream Oil	thereof Downstream Gas	Corporate & Other	Total
Crude Oil, NGL, condensates	-	58.53	58.53	-	-	58.53
Natural gas, LNG and power	5.48	6,260.61	3.73	6,256.88	2.78	6,268.87
Fuels and heating oil	-	12,554.97	12,554.97	-	-	12,554.97
Other goods and services*	41.51	2,099.38	2,036.98	62.40	15.82	2,156.71
<b>Total</b>	<b>46.99</b>	<b>20,973.49</b>	<b>14,654.21</b>	<b>6,319.28</b>	<b>18.60</b>	<b>21,039.08</b>

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>

\*) Mainly in Downstream Oil related to non-fuel business and other petroleum products not included in categories above

### 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.

In 2021, revenues from other sources include mainly power sales within the scope of IFRS 9 Financial Instruments (after net realized losses from power forward contracts) amounting to RON 1,397.63 million (2020: RON 1,127.84 million) and net unrealized losses from fair valuation of power forward contracts amounting to RON 1,073.93 million (2020: RON 42.78 million).

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 2021 amount to RON 35.04 million (2020: RON 32.52 million).

## 19. OTHER OPERATING INCOME

	2021	2020
Exchange gains from operating activities	5.65	38.03
Gains on disposal of businesses and non-current assets	70.32	51.03
Other operating income	96.67	318.10
<b>Total</b>	<b>172.64</b>	<b>407.16</b>

The line "Other operating income" in 2020 includes revenues from sale of CO<sub>2</sub> certificates in amount of RON 180.99 million and gains of RON 71.50 million from the fair value measurement of CO<sub>2</sub> certificates held for trading in Downstream.

## 20. NET INCOME FROM CONSOLIDATED SUBSIDIARIES AND INVESTMENTS IN ASSOCIATES

	2021	2020
Dividends from subsidiaries and associates	369.15	562.20
Net release/(set up) of impairment related to investments in subsidiaries	(14.64)	102.91
<b>Total</b>	<b>354.51</b>	<b>665.11</b>

## 21. OTHER OPERATING EXPENSES

	2021	2020
Exchange losses from operating activities	18.20	19.78
Losses on disposal of businesses and non-current assets	3.37	7.56
Other operating expenses	217.57	309.45
<b>Total</b>	<b>239.14</b>	<b>336.79</b>

"Other operating expenses" line includes an amount of RON 68.21 million (2020: RON 108.64 million) representing restructuring expenses mainly in relation with outsourcing and reorganization in Upstream and an amount of RON 20.46 million (2020: RON 8.50 million) representing costs with digitalization initiatives.

## 22. COST INFORMATION

For the years ended December 31, 2021 and December 31, 2020 the income statement includes the following personnel expenses:

	2021	2020
Wages and salaries	1,298.26	1,456.15
Other personnel expenses	202.76	247.13
<b>Total personnel expenses</b>	<b>1,501.02</b>	<b>1,703.28</b>

The above personnel expenses included an amount of RON 18.24 million, representing Company's contribution to state pension plan for the year ended December 31, 2021 (2020: RON 18.20 million).

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

	2021	2020
Depreciation and amortization	2,751.24	2,797.91
Impairment intangible assets and property, plant and equipment	533.75	1,521.35
Write-ups intangible assets and property, plant and equipment	(2.18)	(753.38)
<b>Total depreciation, amortization and net impairment</b>	<b>3,282.81</b>	<b>3,565.88</b>

Net impairment losses booked during the year ended December 31, 2021 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 529.38 million, reflecting mainly write-offs of exploration intangibles, unsuccessful workovers and obsolete or replaced assets. Net impairments in Downstream Oil segment were in amount of RON 1.69 million and in Downstream Gas segment in amount of RON 0.50 million.

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.

In the income statement for the year ended December 31, 2021 net impairments are included under depreciation, amortization, impairments and write-ups in amount of RON 430.77 million (2020: RON 86.17 million) and under exploration expenses in amount of RON 100.80 million (2020: RON 681.79 million).

## 23. INTEREST INCOME AND INTEREST EXPENSES

	2021	2020
<b>Interest income</b>		
Interest income related to subsidiaries	7.45	13.42
Interest income from receivables and other	17.64	104.53
Interest income from short term bank deposits	108.76	145.15
Unwinding income for other financial assets and positive effect of changes in discount rate and timing for Romanian State receivable	26.18	72.19
<b>Total interest income</b>	<b>160.03</b>	<b>335.29</b>
<b>Interest expenses</b>		
Interest expenses	(51.49)	(50.66)
Unwinding expenses for retirement benefits provision	(6.87)	(10.25)
Unwinding expenses for decommissioning provision, net of the unwinding income for related Romanian State receivable	(204.04)	(232.81)
Unwinding expenses and discounting for other items and negative effect of changes in discount rate and timing for Romanian State receivable	(223.45)	(26.08)
<b>Total interest expenses</b>	<b>(485.85)</b>	<b>(319.80)</b>
<b>Net interest revenues/ (expenses)</b>	<b>(325.82)</b>	<b>15.49</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.

“Unwinding expenses and discounting for other items and negative effect of changes in discount rate and timing for Romanian State receivable” in 2021 relate mainly to effects of discounting of the receivable from the Romanian State, while the effects of discounting of such receivable in 2020 were positive and presented on interest income.

## 24. OTHER FINANCIAL INCOME AND EXPENSES

	2021	2020
Net foreign exchange gains/(losses) from financing activities	(1.33)	(26.49)
Net gains/(losses) from investments and financial assets	72.14	19.29
Other financial expenses	(3.79)	(3.21)
<b>Other financial income and expenses</b>	<b>67.02</b>	<b>(10.41)</b>

## 25. TAXES ON INCOME

	2021	2020
Current income taxes	(402.97)	(182.19)
Deferred income taxes	(15.81)	59.87
<b>Taxes on income – (expense)/revenue</b>	<b>(418.78)</b>	<b>(122.32)</b>

The reconciliation of net deferred tax is as follows:

	2021	2020
Deferred tax asset as at January 1	1,464.75	1,411.81
Deferred tax asset as at December 31	1,463.63	1,464.75
<b>Changes in deferred taxes</b>	<b>(1.12)</b>	<b>52.94</b>
thereof deferred taxes (expenses)/revenues in Other Comprehensive Income	14.69	(6.93)
thereof deferred taxes (expenses)/revenues in the Income Statement	(15.81)	59.87
<b>Reconciliation</b>		
<b>Profit before tax</b>	<b>3,107.20</b>	<b>1,503.90</b>
Income tax rate applicable	16%	16%
<b>Profit tax expense based on income tax rate</b>	<b>(497.15)</b>	<b>(240.62)</b>
Tax credit	61.97	36.54
Change in valuation allowance	(0.46)	0.30
Tax effect of items that are (non-deductible)/non-taxable	16.87	81.46
<b>Profits tax expense in the Income Statement</b>	<b>(418.78)</b>	<b>(122.32)</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, 2021	Upstream	Downstream *	Downstream Oil	Downstream Gas	Downstream elimination	Corporate & Other	Total	Consolidation	Total
Intersegment sales	9,082.25	138.97	25.70	237.25	(123.98)	143.09	<b>9,364.31</b>	(9,364.31)	-
Sales with third parties	54.38	21,392.80	14,749.82	6,642.98	-	38.86	<b>21,486.04</b>	-	<b>21,486.04</b>
<b>Total sales</b>	<b>9,136.63</b>	<b>21,531.77</b>	<b>14,775.52</b>	<b>6,880.23</b>	<b>(123.98)</b>	<b>181.95</b>	<b>30,850.35</b>	<b>(9,364.31)</b>	<b>21,486.04</b>
<b>Operating result</b>	<b>1,689.33</b>	<b>2,002.99</b>	<b>2,310.36</b>	<b>(307.37)</b>	-	<b>(101.65)</b>	<b>3,590.67</b>	<b>(224.67)</b>	<b>3,366.00</b>
Total assets**	21,054.97	5,152.72	3,794.03	1,358.69	-	383.08	<b>26,590.77</b>	-	<b>26,590.77</b>
Additions in PPE/IA	2,123.90	523.51	511.40	12.11	-	16.94	<b>2,664.35</b>	-	<b>2,664.35</b>
Depreciation and amortization	2,027.73	681.68	549.38	132.30	-	41.83	<b>2,751.24</b>	-	<b>2,751.24</b>
Impairment losses/ (write-ups), net	529.38	2.19	1.69	0.50	-	-	<b>531.57</b>	-	<b>531.57</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, 2021	Romania	Rest of Central Eastern Europe	Rest of Europe	Rest of world	Total
Sales with third parties*	20,543.33	931.64	10.88	0.19	<b>21,486.04</b>
Total assets**	26,584.64	-	-	6.13	<b>26,590.77</b>
Additions in PPE/IA	2,657.49	-	-	6.86	<b>2,664.35</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, 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)

## 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 8,271 for 2021 and 10,949 for 2020.

The decrease in the number of employees was a result of outsourced activities, divestment and of reorganization and restructuring programs as a consequence of process optimization and cost efficiency measures.

## 28. RELATED PARTIES

The terms of the outstanding balances receivable from/payable to related parties are typically 0 to 60 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 2021, the Company had the following transactions with related parties, including balances as of December 31, 2021:

	Nature of transactions	Purchases	Balances payable
<b>OMV Petrom S.A. subsidiaries</b>			
OMV Petrom Marketing S.R.L.	Acquisition of petroleum products	28.12	33.11
OMV Petrom Aviation S.R.L.	Airport sales services	24.90	2.77
Petromed Solutions S.R.L.	Medical services	21.70	1.28
OMV Petrom Georgia LLC	Various services	3.41	3.12
Petrom Moldova S.R.L.	Various services	0.09	-
Kom Munai LLP	Various services	0.06	-
<b>Total OMV Petrom S.A. subsidiaries</b>		<b>78.28</b>	<b>40.28</b>
<b>Other related parties</b>			
OMV Gas Marketing & Trading GmbH	Acquisition of natural gas and other	963.15	175.27
OMV Supply & Trading Limited	Acquisition of crude oil and petroleum products	884.15	1.10
OMV Petrom Global Solutions S.R.L.	Financial, bookkeeping, IT support and other services	470.67	64.16
OMV Exploration & Production GmbH	Delegation of personnel and other	99.56	27.49
OMV Downstream GmbH	Acquisition of petroleum products, other materials and services	63.83	20.55
OMV Aktiengesellschaft	Delegation of personnel and other	32.94	39.68
OMV Enerji Ticaret Anonim Şirketi	Acquisition of liquefied natural gas (LNG)	0.90	0.52
OMV Gas & Power GmbH	Delegation of personnel and other	0.81	0.13
OMV Abu Dhabi Production GmbH	Various services	0.41	0.41
OMV International Oil & Gas GmbH	Delegation of personnel	0.39	0.39
OMV New Zealand Limited	Various services	0.12	0.18
OMV - International Services Ges.m.b.H.	Various services	0.01	-
<b>Total other related parties</b>		<b>2,516.94</b>	<b>329.88</b>
<b>Total</b>		<b>2,595.22</b>	<b>370.16</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	10,498.16	750.60
OMV Bulgaria OOD	Sales of petroleum products	823.50	90.84
Petrom Moldova S.R.L.	Sales of petroleum products	294.30	14.74
OMV Srbija DOO	Sales of petroleum products	141.07	25.90
OMV Offshore Bulgaria GmbH	Various services	2.71	-
Petromed Solutions S.R.L.	Financial, IT and other services	2.38	0.36
Kom Munai LLP	Delegation of personnel and other	1.88	-
OMV Petrom Aviation S.R.L.	Various services	0.76	0.28
OMV Petrom Georgia LLC	Various services	0.22	0.20
OMV Petrom Gas S.R.L.	Various services	0.20	(0.05)
Tasbulat Oil Corporation LLP	Delegation of personnel and other	0.06	-
<b>Total OMV Petrom S.A. subsidiaries</b>		<b>11,765.24</b>	<b>882.87</b>
<b>Other related parties</b>			
OMV Gas Marketing & Trading GmbH	Sales of natural gas and other	400.23	143.52
OMV Deutschland Marketing & Trading GmbH & Co. KG	Sales of propylene and petroleum products	357.28	62.04
OMV Downstream GmbH	Sales of petroleum products, delegation of personnel and other	181.73	14.74
OMV Supply & Trading Limited	Sales of petroleum products	58.97	-
OMV Exploration & Production GmbH	Delegation of personnel and other	26.09	4.08
OMV Petrom Global Solutions SRL	Various services	22.92	2.92
OMV Aktiengesellschaft	Delegation of personnel and other	11.69	2.79
Borealis AG	Sales of propylene	10.88	-
Borealis L.A.T Romania S.R.L.	Various sales and services	0.18	0.01
Petrom Exploration and Production Limited	Various services	0.01	-
<b>Total other related parties</b>		<b>1,069.98</b>	<b>230.10</b>
<b>Total</b>		<b>12,835.22</b>	<b>1,112.97</b>

The above transactions and balances do not include amounts related to loans given and received by OMV Petrom from 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, bookkeeping, IT support 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	Acquisition of petroleum products, other materials 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 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>OMV Petrom S.A. subsidiaries</b>			
OMV Petrom Marketing S.R.L.	Sales of petroleum products	6,692.92	538.19
OMV Perom 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 d.o.o.	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	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>

The above transactions and balances do not include amounts related to loans given and received by OMV Petrom from related parties.

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 2021, 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 282.04 million) and maturity August 31, 2025.
- b) OMV Bulgaria OOD: one intercompany loan with maximum limit of EUR 55.00 million (equivalent of RON 272.15 million) and maturity December 30, 2023.
- c) OMV Srbija DOO: one intercompany loan with maximum limit of EUR 20.00 million (equivalent of RON 98.96 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 74.22 million) and maturity August 7, 2024.

The balances receivable in respect to these loans, as at December 31, 2021 and December 31, 2020 are presented below:

	Gross balance at December 31, 2021	Impairment at December 31, 2021	Net balance at December 31, 2021	Net balance at December 31, 2020
OMV Offshore Bulgaria GmbH	168.19	-	168.19	146.02
OMV Bulgaria OOD	94.08	-	94.08	143.74
Petrom Moldova S.R.L.	49.52	-	49.52	43.85
<b>Total</b>	<b>311.79</b>	<b>-</b>	<b>311.79</b>	<b>333.61</b>

There was no impairment for loans to subsidiaries as of December 31, 2021 and December 31, 2020.

The intercompany loans which were given to Kom Munai LLP and Tasbulat Oil Corporation LLP and were presented under assets held for sale as at December 31, 2020, were sold to Magnetic Oil Limited on May 14, 2021.

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 2021	Balances receivable at December 31, 2021	Interest income 2020	Balances receivable at December 31, 2020
<b>OMV Petrom S.A. subsidiaries</b>				
OMV Offshore Bulgaria GmbH	2.10	0.10	0.77	0.08
OMV Bulgaria OOD	1.55	0.07	2.57	0.09
Kom Munai LLP	1.27	-	5.41	-
OMV Srbija DOO	0.98	-	0.59	-
Tasbulat Oil Corporation LLP	0.79	-	3.15	-
Petrom Moldova S.R.L.	0.76	0.03	0.89	0.02
OMV Petrom Aviation SA	-	-	0.03	-
<b>Total OMV Petrom S.A. subsidiaries</b>	<b>7.45</b>	<b>0.20</b>	<b>13.41</b>	<b>0.19</b>
<b>Other related parties</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>7.45</b>	<b>0.20</b>	<b>13.41</b>	<b>0.19</b>

	Interest expenses 2021	Balances payable at December 31, 2021	Interest expenses 2020	Balances payable at December 31, 2020
<b>OMV Petrom S.A. subsidiaries</b>				
OMV Petrom Marketing S.R.L.	28.64	3.73	28.56	2.12
OMV Petrom Gas S.R.L.	0.47	0.05	1.63	0.06
Petromed Solutions S.R.L.	0.17	0.02	0.20	0.01
OMV Petrom Aviation S.R.L.	0.06	0.01	0.05	0.01
<b>Total OMV Petrom S.A. subsidiaries</b>	<b>29.34</b>	<b>3.81</b>	<b>30.44</b>	<b>2.20</b>
<b>Other related parties</b>				
OMV Petrom Global Solutions S.R.L.	2.00	0.28	1.87	0.14
<b>Total other related parties</b>	<b>2.00</b>	<b>0.28</b>	<b>1.87</b>	<b>0.14</b>
<b>Total</b>	<b>31.34</b>	<b>4.09</b>	<b>32.31</b>	<b>2.34</b>

The balances payable to related parties in relation to cash pooling agreements are presented in Note 14 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:

<https://www.omv.com/en/investor-relations/publications>

#### Key management remuneration

For 2021, 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 (2020: 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 (2020: 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 (2020: EUR 2,000 per meeting).

As at December 31, 2021 and 2020, there were no loans or advances granted by any of the Group companies to the members of the Supervisory Board. As at December 31, 2021 and 2020, 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 2021 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 66.69 million (2020: RON 69.40 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 car company, 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>January 1, 2021</b>	<b>1,618.09</b>	<b>460.84</b>	<b>2,078.93</b>
Repayments of interest bearing debts and principal portion of lease liabilities	(93.49)	(136.30)	<b>(229.79)</b>
Increase in interest bearing debts	78.86	-	<b>78.86</b>
Net increase/(decrease) in loans with subsidiaries	280.25	-	<b>280.25</b>
<b>Total cash flows relating to financing activities</b>	<b>265.62</b>	<b>(136.30)</b>	<b>129.32</b>
Lease liabilities recognized during the year	-	104.59	<b>104.59</b>
Net other changes	3.82	4.35	<b>8.17</b>
<b>Total non-cash changes</b>	<b>3.82</b>	<b>108.94</b>	<b>112.76</b>
<b>December 31, 2021</b>	<b>1,887.53</b>	<b>433.48</b>	<b>2,321.01</b>
thereof short-term	1,871.04	138.05	<b>2,009.09</b>
thereof long-term	16.49	295.43	<b>311.92</b>

	Interest-bearing debts	Lease liabilities	Total
<b>January 1, 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 increase/(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>December 31, 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>

## b) Investments in subsidiaries

During 2021, OMV Petrom set up a new subsidiary, OMV Petrom Georgia LLC, and acquired the remaining 0.01% interest in the subsidiary OMV Petrom Gas S.R.L.. These investments did not have a significant impact in the cash flow from investing activities.

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.

## c) Net loans reimbursed by/(given to) subsidiaries

During 2021 OMV Petrom S.A. granted loans amounting to RON 212.02 million (2020: RON 237.04 million) and was reimbursed loans amounting to RON 247.25 million (2020: RON 127.75 million).

## d) Proceeds in relation to non-current assets

In 2021, proceeds in relation to non-current assets include the amount of RON 37.61 million representing encashment from the last two tranches of the government grant for Brazi power plant investment (2020: RON 140.19 million related to the third tranche). For details please see Note 8 b).

## e) Transfer of business

On December 1, 2021, OMV Petrom S.A. closed the transfer of 40 marginal onshore oil and gas fields to Dacian Petroleum S.R.L..

<b>Net assets at the date of transfer</b>	<b>2021</b>
Intangible assets and property, plant and equipment	219.12
Provisions for decommissioning and restoration obligations	(156.86)
Other adjustments related to items transferred	1.81
<b>Net assets</b>	<b>64.07</b>

<b>Gain/(Loss) on transfer of business</b>	<b>2021</b>
Proceeds on transfer of business	66.68
Net assets disposed of	(64.07)
<b>Gain on transfer of business</b>	<b>2.61</b>

<b>Net cash flow from transfer of business</b>	<b>2021</b>
Proceeds on transfer of business	66.68
Deferred consideration	(23.68)
<b>Net cash inflow on transfer of business</b>	<b>43.00</b>

In 2020 OMV Petrom did not transfer any business.

## f) Disposal of investments

On May 14, 2021, OMV Petrom S.A. completed the sale of its 100% owned subsidiaries in Kazakhstan, Kom-Munai LLP and Tasbulat Oil Corporation LLP, including loans given to them, to Magnetic Oil Limited. The result of the transaction was a gain of RON 72.89 million and the proceeds from sale of investments and loans in 2021 are amounting to RON 488.63 million. In 2020 OMV Petrom received an advance for the sale of Kazakhstan subsidiaries, in amount of RON 71.59 million.

During 2020, OMV Petrom did not dispose of any investment.

## 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, 2021 is of RON 222.47 million (2020: RON 208.54 million), out of which the amount of RON 92.41 million is related to operating activities (2020: RON 99.42 million) and the amount of RON 130.06 million represents cash outflows for exploration investing activities (2020: RON 109.12 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, 2021	December 31, 2020
Cash at banks and on hand	106.81	157.48
Short-term deposits	9,947.12	7,147.49
<b>Cash and cash equivalents</b>	<b>10,053.93</b>	<b>7,304.97</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 as at December 31, 2021**

	Level 1	Level 2	Level 3	Total
Derivatives designated and effective as hedging instruments	-	21.10	-	<b>21.10</b>
Other derivatives	-	1,534.94	-	<b>1,534.94</b>
<b>Total</b>	<b>-</b>	<b>1,556.04</b>	<b>-</b>	<b>1,556.04</b>

**Fair value hierarchy of financial liabilities as at December 31, 2021**

	Level 1	Level 2	Level 3	Total
Derivatives designated and effective as hedging instruments	-	(42.56)	-	<b>(42.56)</b>
Other derivatives	-	(2,364.20)	-	<b>(2,364.20)</b>
<b>Total</b>	<b>-</b>	<b>(2,406.76)</b>	<b>-</b>	<b>(2,406.76)</b>

**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	-	445.53	-	<b>445.53</b>
<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)	-	<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>(472.64)</b>	<b>(15.88)</b>	<b>(488.52)</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, 2021 and December 31, 2020, 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, 2021**

	Fair value	Carrying amount	Difference
Loans to subsidiaries	321.92	311.79	10.13
<b>Financial assets</b>	<b>321.92</b>	<b>311.79</b>	<b>10.13</b>
Interest-bearing debts	1,888.39	1,887.53	0.86
<b>Financial liabilities</b>	<b>1,888.39</b>	<b>1,887.53</b>	<b>0.86</b>

**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>

**Offsetting of financial assets and liabilities**

According to IAS 32, 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. When the offsetting criteria mentioned in IAS 32 are met, corresponding financial assets and liabilities are presented net in the statement of the financial position.

During 2021 OMV Petrom has updated its assessment of IAS 32 netting criteria further to a legal assessment of the major agreements in place.

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 2021**

	Gross amounts	Amounts set-off in the statement of financial position	Net amounts presented in the statement of financial position*	Assets available to set-off** (not offset)	Net amounts
Derivative financial instruments	1,945.26	(389.22)	1,556.04	(349.31)	1,206.73
Trade receivables	2,861.36	(225.67)	2,635.69	(6.81)	2,628.88
Other financial assets	334.54	(6.15)	328.39	(78.18)	250.21
<b>Total</b>	<b>5,141.16</b>	<b>(621.04)</b>	<b>4,520.12</b>	<b>(434.30)</b>	<b>4,085.82</b>

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

\*\*) Assets not offset as the criteria from IAS 32 is not fulfilled.

**Offsetting of financial liabilities 2021**

	Gross amounts	Amounts set-off in the statement of financial position	Net amounts presented in the statement of financial position*	Liabilities available to set-off** (not offset)	Net amounts
Derivative financial instruments	2,795.98	(389.22)	2,406.76	(349.31)	2,057.45
Trade payables	2,726.47	(225.67)	2,500.80	(6.81)	2,493.99
Other financial liabilities	314.41	(6.15)	308.26	(78.18)	230.08
<b>Total</b>	<b>5,836.86</b>	<b>(621.04)</b>	<b>5,215.82</b>	<b>(434.30)</b>	<b>4,781.52</b>

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

\*\*) Liabilities not offset as the criteria from IAS 32 is not fulfilled.

**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 available to 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.

\*\*) Assets not offset as the criteria from IAS 32 is not fulfilled.

**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 available to 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.

\*\*) Liabilities not offset as the criteria from IAS 32 is not fulfilled.

**31.COMMITMENTS AND CONTINGENCIES****Commitments**

As at December 31, 2021 the total commitments engaged by the Company for investments (except those in relation to joint arrangements) are in amount of RON 996.67 million (2020: RON 779.77 million), out of which RON 809.92 million related to property, plant and equipment (2020: RON 607.28 million) and RON 186.75 million for intangible assets (2020: RON 172.49 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, 2021 and 2020.

In addition, OMV Petrom has contingent liabilities representing performance guarantees, mainly under credit facilities granted by banks, without cash collateral, in amount of RON 158.24 million as at December 31, 2021 (2020: RON 268.81 million) and parent company guarantees (PCG) with total exposure of RON 224.66 million (2020: RON 243.47 million), mainly 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 222.66 million at December 31, 2021, equivalent of EUR 45 million (2020: RON 243.47 million, equivalent of EUR 50 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, 2021 is amounting RON 45.55 million (2020: RON 44.73 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 7,732.92 million at December 31, 2021 (2020: RON 5,226.04 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. Please refer to Note 2 for more details on effects of climate change risk.

### **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 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 remained 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 2021 OMV Petrom S.A. concluded margin hedges in relation to highly probable sales of gasoline and stock hedges in relation to crude oil inventory purchased, using swaps instruments.

During 2020 OMV Petrom S.A. concluded stock hedges in relation to oil inventory purchases and it discontinued most of the refinery margin hedges which had been concluded in 2019, due to the change in the risk management objective.

In case of refinery margin hedges for gasoline, 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 gasoline 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, which had been concluded in 2019 with maturities during 2020 and 2021, forecast sales and purchase transactions for fuel oil and oil products are designated as the hedged items.

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

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**

<b>2021</b>	<b>Forecast purchases</b>	<b>Forecast sales</b>	<b>Total</b>
Nominal value	-	631.84	<b>631.84</b>
Below one year	-	631.84	<b>631.84</b>
More than one year	-	-	-
Fair value - assets	-	21.10	<b>21.10</b>
Fair value - liabilities	-	42.56	<b>42.56</b>
Cash flow hedge reserve (before tax)	-	(21.46)	<b>(21.46)</b>

<b>2020</b>	<b>Forecast purchases</b>	<b>Forecast sales</b>	<b>Total</b>
Nominal value	91.87	147.85	<b>239.72</b>
Below one year	91.87	147.85	<b>239.72</b>
More than one year	-	-	-
Fair value - assets	-	16.33	<b>16.33</b>
Fair value - liabilities	14.18	5.40	<b>19.58</b>
Cash flow hedge reserve (before tax)	(14.18)	10.93	<b>(3.25)</b>

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**

<b>2021</b>	<b>Forecast purchases</b>	<b>Forecast sales</b>	<b>Total</b>
Cash flow hedge reserve as of January 1, 2021 (net of tax)	(11.91)	86.27	<b>74.36</b>
Gains/(losses) recognized in OCI	57.22	(131.60)	<b>(74.38)</b>
Amounts reclassified to income statement	-	7.43	<b>7.43</b>
Amounts transferred to cost of non-financial item	(43.04)	-	<b>(43.04)</b>
Tax effects	(2.27)	19.87	<b>17.60</b>
<b>Cash flow hedge reserve as of December 31, 2021 (net of tax)</b>	<b>-</b>	<b>(18.03)</b>	<b>(18.03)</b>
Hedge ineffectiveness recognized in income statement	-	(2.78)	<b>(2.78)</b>

2020	Forecast purchases	Forecast sales	Total
Cash flow hedge reserve as of January 1, 2020 (net of tax)	22.48	5.22	27.70
Gains/(losses) 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 December 31, 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

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 corresponding 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:

	RON equivalent of EUR denominated balances (million)		RON equivalent of USD denominated balances (million)	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Assets	1,514.77	654.65	214.71	985.00
Liabilities	1,196.08	852.21	376.64	914.59
<b>Net assets/(liabilities) in the statement of financial position</b>	<b>318.69</b>	<b>(197.56)</b>	<b>(161.93)</b>	<b>70.41</b>
Adjustments for foreign currency derivatives	3.10	24.22	181.92	(22.11)
<b>Net currency exposure</b>	<b>321.79</b>	<b>(173.34)</b>	<b>19.99</b>	<b>48.30</b>

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**

	Impact for EUR denominated items, in million RON (i)		Impact for USD denominated items, in million RON (ii)	
	2021	2020	2021	2020
Profit/ (Loss)	32.18	(17.33)	4.15	5.16
Other comprehensive income	-	-	(2.15)	(0.33)

**-10% decrease in the foreign currencies rates**

	Impact for EUR denominated items, in million RON (i)		Impact for USD denominated items, in million RON (ii)	
	2021	2020	2021	2020
Profit/ (Loss)	(32.18)	17.33	(4.15)	(5.16)
Other comprehensive income	-	-	2.15	0.33

(i) This is mainly attributable to the exposure to EUR of loans to subsidiaries, trade receivables, derivative financial assets, lease liabilities, derivative financial liabilities and trade payables at the year-end.

(ii) This is mainly attributable to the exposure to USD of other financial assets, cash and cash equivalents, other financial liabilities and trade payables at the year end.

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, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Short term borrowings	1,866.51	1,505.89	18.67	15.06
Long term borrowings	16.49	108.98	0.16	1.09

In 2021 and 2020, 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 at all times and retains the necessary financial flexibility, liquidity reserves in form of deposits and committed credit lines are maintained. The maturity profile of the Company's financial liabilities is presented in Note 15.

### **34. EXPENSES GROUP AUDITOR**

In 2021 the statutory auditor Ernst & Young Assurance Services SRL had a contractual statutory audit fee of EUR 537,535 (2020: EUR 545,000) 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 112,510 (2020: EUR 128,920), 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 68,167 (2020: EUR 153,900) 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 28,942 (2020: EUR 5,946).

## 35. SUBSEQUENT EVENTS

In the context of the conflict between Russia and Ukraine, started on February 24, 2022, the European Union, United States of America, United Kingdom and other countries imposed various sanctions for Russia, including financing restrictions on certain Russian banks and state-owned companies. While OMV Petrom does not have operations in Ukraine or in Russia, it monitors the geopolitical developments on a continuous basis and regularly reviews the potential impact on its business activities. Disruptions in Russian commodity flows to Europe could result in further increases in European energy prices and accelerate the risk of cost inflation. The above does not have any impact on OMV Petrom separate financial statements for the year ended December 31, 2021. At the date of these financial statements it is not possible to reliably estimate the impact on the financial position and results of the Company for future periods.

These financial statements, comprising statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, were approved on March 17, 2022.

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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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Herbert Hackl  
Vice President Controlling  
Department

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Nicoleta Drumea  
Head of Financial Reporting

# OMV Petrom SA

## Consolidated report on payments to governments for the year 2021

## Introduction

Chapter 8 of the Annex 1 of Ministry of Finance Order 2844/2016, with all subsequent modifications and clarifications, 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. In addition to payments to governments, OMV Petrom group companies contribute to the economies of the countries in which 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), OMV Offshore Bulgaria GmbH (Bulgaria) and OMV PETROM GEORGIA LLC (Georgia). For Bulgaria, no payments in scope of this report are to be reported for the year 2021.

### Activities within the scope of the Report

Payments made by OMV Petrom group to governments in connection with any of the following activities: exploration, prospection, discovery, development and extraction of minerals, oils and natural gas deposits or other materials (“extractive activities”) are presented in this report.

### Government

A ‘**government**’ is defined as any national, regional or local authority of a country and includes a department, agency or entity undertaking that is controlled by the government authority.

### Project

According to the Regulation, the payments are reported:

- ▶ on government and governmental body basis;

- ▶ by type of payment;
- ▶ on “project” basis, where possible.

For the purpose of this report ‘**project**’ is defined as the operational activities which are governed by a single contract, licence, lease, concession or similar legal agreement, and form the basis for payment liabilities to the government. Where these agreements as per the aforementioned definition are substantially interconnected, they are treated for the purpose of this Report as a single project.

‘Substantially interconnected’ is defined as a set of operationally and geographically integrated contracts, licences, leases or concessions or related agreements with substantially similar terms that are signed with a government, giving rise to payment liabilities. Such agreements can be governed by a single contract, joint venture, production sharing agreement or other overarching legal agreement.

There may be instances - for example, corporate income taxes - where it is not possible to attribute the payment to a single project and therefore OMV Petrom discloses these payments at the country level in the current Report.

#### **Cash and Payments in Kind**

In accordance with the Regulation, amounts have to be reported on a cash basis, meaning that they are reported in the period in which they are paid, regardless of the period in which they are accounted for on an accruals basis.

Refunds are also reported in the period in which they are received and will either be offset against payments made in the period or be shown as negative amounts in the Report.

Payments in kind made to a government are converted to an equivalent cash value based on the most appropriate and relevant valuation method for each payment type. This can be at cost or market value and an explanation is provided in the Report to help explain the valuation method. If applicable, the related volumes would be also included in the Report.

#### **Materiality**

Payments made as a single payment or a series of related payments that fall below EUR 100,000 (RON 443,400 – equivalent of exchange rate as of July 19<sup>th</sup>, 2013) 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 a 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 the other shareholders.

For the year ended on December 31<sup>st</sup>, 2021, 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.

## 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 on December 31<sup>st</sup>, 2021.

(in thousands of RON)	Taxes (on income, production or profit)	Royalties	Bonuses	Fees (license, rental, entry and others)	Total of Payments
Romania	1,122,765	647,003	-	117,983	<b>1,887,751</b>
Kazakhstan	8,282	-	-	-	<b>8,282</b>
Georgia	-	-	6,977	-	6,977
<b>Total</b>	<b>1,131,047</b>	<b>647,003</b>	<b>6,977</b>	<b>117,983</b>	<b>1,903,010</b>

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 or infrastructure improvements that met the Regulation definition and therefore these categories are not shown.

## Payments by project, government and type of payment

(in thousands of RON)	Taxes (on income, production or profit)	Royalties	Bonuses	Fees (license, rental, entry and others)	Total Payments
<b>ROMANIA</b>					
<b>Payments per project</b>					
Onshore production zones	-	501,466	-	106,442	<b>607,908</b>
Onshore Joint Operations	-	5,793	-	-	<b>5,793</b>
Offshore Black Sea	244,389	139,744	-	3,221	<b>387,354</b>
Payments not attributable to projects	878,376	-	-	8,319	<b>886,695</b>
<b>Total</b>	<b>1,122,765</b>	<b>647,003</b>	<b>-</b>	<b>117,983</b>	<b>1,887,751</b>
<b>Payments per Government</b>					
State Budget	1,122,765	647,003	-	-	<b>1,769,768</b>
National Company of Forests - Romsilva	-	-	-	73,802	<b>73,802</b>
Various Local City Councils	-	-	-	19,868	<b>19,868</b>
National Agency for Mineral Resources (ANRM)	-	-	-	12,329	<b>12,329</b>
National Authority for Electricity Regulation (ANRE)	-	-	-	8,319	<b>8,319</b>
Offshore Operations Regulatory Authority (ACROPO)	-	-	-	3,183	<b>3,183</b>
CONPET S.A.	-	-	-	481	<b>481</b>
<b>Total</b>	<b>1,122,765</b>	<b>647,003</b>	<b>-</b>	<b>117,983</b>	<b>1,887,751</b>
<b>KAZAKHSTAN</b>					
<b>Payments per project</b>					
Komsomolskoe	4,782	-	-	-	<b>4,782</b>
Tasbulat, Turkmenoi, Aktas	3,500	-	-	-	<b>3,500</b>
<b>Total</b>	<b>8,282</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,282</b>
<b>Payments per Government</b>					
State Revenue Committee <sup>1</sup>	8,282	-	-	-	<b>8,282</b>
<b>Total</b>	<b>8,282</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,282</b>
<b>GEORGIA</b>					
<b>Payments per project</b>					
Offshore Black Sea	-	-	6,977	-	<b>6,977</b>
<b>Total</b>	<b>-</b>	<b>-</b>	<b>6,977</b>	<b>-</b>	<b>6,977</b>
<b>Payments per Government</b>					
LEPL State Agency of Oil and Gas	-	-	6,977	-	<b>6,977</b>
<b>Total</b>	<b>-</b>	<b>-</b>	<b>6,977</b>	<b>-</b>	<b>6,977</b>
<b>Total</b>	<b>1,131,047</b>	<b>647,003</b>	<b>6,977</b>	<b>117,983</b>	<b>1,903,010</b>

<sup>1</sup> State Revenue Committee of the Ministry of Finance of the Republic of Kazakhstan.

**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

# OMV Petrom SA

## Standalone report on payments to governments for the year 2021

## Introduction

Chapter 8 of the Annex 1 of Ministry of Finance Order 2844/2016, with all subsequent modifications and clarifications, 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, the Company has prepared the following report (hereinafter the “**Report**”) on payments to governments. The Report covers the payments performed by OMV Petrom S.A. in relation to 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 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. In addition to payment to governments, 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 (RON 443,400 – equivalent of exchange rate as of July 19<sup>th</sup>, 2013) 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 a 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 the other shareholders.

For the year ended December 31<sup>st</sup>, 2021, 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.

## 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 on December 31<sup>st</sup>, 2021.

(in thousands of RON)	Taxes (on income, production or profit)	Royalties	Bonuses	Fees (license, rental, entry and others)	Total of Payments
Romania	1,122,765	647,003	-	117,983	1,887,751
Georgia	-	-	6,977	-	6,977
<b>Total</b>	<b>1,122,765</b>	<b>647,003</b>	<b>6,977</b>	<b>117,983</b>	<b>1,894,728</b>

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 or infrastructure improvements that met the Regulation definition and therefore these categories are not shown.

## Payments by project, government and type of payment

(in thousands of RON)	Taxes (on income, production or profit)	Royalties	Bonuses	Fees (license, rental, entry and others)	Total Payments
<b>ROMANIA</b>					
<b>Payments per project</b>					
Onshore production zones	-	501,466	-	106,442	<b>607,908</b>
Onshore Joint Operations	-	5,793	-	-	<b>5,793</b>
Offshore Black Sea	244,389	139,744	-	3,221	<b>387,354</b>
Payments not attributable to projects	878,376	-	-	8,319	<b>886,696</b>
<b>Total</b>	<b>1,122,765</b>	<b>647,003</b>	<b>-</b>	<b>117,983</b>	<b>1,887,751</b>
<b>Payments per Government</b>					
State Budget	1,122,765	647,003	-	-	<b>1,769,768</b>
National Company of Forests - Romsilva	-	-	-	73,802	<b>73,802</b>
Various Local City Councils	-	-	-	19,868	<b>19,868</b>
National Agency for Mineral Resources (ANRM)	-	-	-	12,329	<b>12,329</b>
National Authority for Electricity Regulation (ANRE)	-	-	-	8,319	<b>8,319</b>
Offshore Operations Regulatory Authority (ACROPO)	-	-	-	3,183	<b>3,183</b>
CONPET S.A.	-	-	-	481	<b>481</b>
<b>Total</b>	<b>1,122,765</b>	<b>647,003</b>	<b>-</b>	<b>117,983</b>	<b>1,887,751</b>
<b>GEORGIA</b>					
<b>Payments per project</b>					
Offshore Black Sea	-	-	6,977	-	<b>6,977</b>
<b>Total</b>	<b>-</b>	<b>-</b>	<b>6,977</b>	<b>-</b>	<b>6,977</b>
<b>Payments per Government</b>					
LEPL State Agency of Oil and Gas	-	-	6,977	-	<b>6,977</b>
<b>Total</b>	<b>-</b>	<b>-</b>	<b>6,977</b>	<b>-</b>	<b>6,977</b>
<b>Total</b>	<b>1,122,765</b>	<b>647,003</b>	<b>6,977</b>	<b>117,983</b>	<b>1,894,728</b>

**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**