

**S.C. OMV PETROM S.A.**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

**AS OF AND FOR THE SIX MONTH PERIOD ENDED  
JUNE 30, 2016**

Prepared in accordance with International Financial  
Reporting Standards as endorsed by the European Union

together with the independent auditors' review report

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## **Report on review of interim condensed consolidated financial statements to the shareholders of OMV Petrom S.A.**

### **Introduction**

We have reviewed the accompanying interim condensed consolidated statement of financial position of OMV Petrom S.A. and its subsidiaries (the Group) as of 30 June 2016 and the related interim condensed consolidated statements of income, other comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 Interim Financial Reporting (IAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex X to Commission Regulation (EC) 809/2004, consenting to its inclusion in the Prospectus.

### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

## Other matters

On 18 August 2016, after the date on which the financial statements were approved to be issued and before the date of our review report, the final date of appeal by the counterparty in a litigation won by the Company has expired. A provision is recorded in the interim condensed consolidated financial statements as of 30 June 2016 in relation to the respective litigation.

The impact of the reversal of the litigation provision in the period subsequent to 30 June 2016 leads to an increase of Earnings before interest and taxes and of the Net financial result with RON 40.3 million and respectively RON 65.8 million (corresponding to a decrease of current liabilities of RON 106.1 million), and an increase of Taxes on income with RON 17.0 million (corresponding to a decrease of the deferred tax assets with RON 17.0 million), resulting in a total net impact of increasing of the Net income for the period, and of the Equity with RON 89.1 million.

On behalf of

Ernst & Young Assurance Services SRL

Bogdan Ion  
Partner

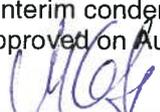
15 September 2016  
Bucharest, Romania



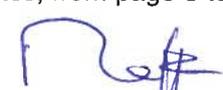
**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2016**  
(all amounts are expressed in million RON, unless otherwise specified)

| <b>ASSETS</b>  | <b>Unaudited</b>     | <b>Audited</b>           |
|--|----------------------|--------------------------|
|  | <b>June 30, 2016</b> | <b>December 31, 2015</b> |
| Intangible assets  | 2,522.99             | 2,430.02                 |
| Property, plant and equipment                              | 28,815.69            | 29,278.19                |
| Investments in associated companies                        | 42.07                | 40.69                    |
| Other financial assets                                     | 2,687.40             | 2,627.56                 |
| Other assets   | 79.44                | 80.29                    |
| Deferred tax assets  | 1,550.24             | 1,562.88                 |
| <b>Non-current assets</b>                                  | <b>35,697.83</b>     | <b>36,019.63</b>         |
| Inventories  | 1,951.52             | 1,965.12                 |
| Trade receivables  | 1,288.41             | 1,318.28                 |
| Other financial assets                                     | 211.58               | 257.09                   |
| Other assets   | 610.71               | 626.90                   |
| Cash and cash equivalents                                  | 724.46               | 812.56                   |
| <b>Current assets</b>                                      | <b>4,786.68</b>      | <b>4,979.95</b>          |
| Assets held for sale                                       | 116.96               | 118.58                   |
| <b>Total assets</b>  | <b>40,601.47</b>     | <b>41,118.16</b>         |
| <b>EQUITY AND LIABILITIES</b>                              |                      |                          |
| Share capital  | 5,664.41             | 5,664.41                 |
| Reserves   | 20,478.08            | 20,078.72                |
| <b>Stockholders' equity</b>                                | <b>26,142.49</b>     | <b>25,743.13</b>         |
| Non-controlling interests                                  | (57.47)              | (55.10)                  |
| <b>Total equity</b>  | <b>26,085.02</b>     | <b>25,688.03</b>         |
| Provisions for pensions and similar obligations            | 237.22               | 238.72                   |
| Interest-bearing debts                                     | 1,263.92             | 1,423.70                 |
| Provisions for decommissioning and restoration obligations | 7,877.10             | 7,941.21                 |
| Other provisions   | 494.68               | 498.99                   |
| Other financial liabilities                                | 239.39               | 266.26                   |
| Deferred tax liabilities                                   | 2.36                 | 12.72                    |
| <b>Non-current liabilities</b>                             | <b>10,114.67</b>     | <b>10,381.60</b>         |
| Trade payables   | 1,980.08             | 2,317.81                 |
| Interest-bearing debts                                     | 443.84               | 378.72                   |
| Income tax liabilities                                     | 57.28                | 107.10                   |
| Other provisions and decommissioning                       | 881.46               | 911.08                   |
| Other financial liabilities                                | 262.30               | 548.13                   |
| Other liabilities  | 768.05               | 775.27                   |
| <b>Current liabilities</b>                                 | <b>4,393.01</b>      | <b>5,038.11</b>          |
| Liabilities associated with assets held for sale           | 8.77                 | 10.42                    |
| <b>Total equity and liabilities</b>                        | <b>40,601.47</b>     | <b>41,118.16</b>         |

These interim condensed consolidated financial statements and accompanying notes, from page 3 to page 16, were approved on August 8, 2016.

  
Mariana Gheorghe  
Chief Executive Officer

  
Irina Nadia Dobre  
Director Finance Department

  
Andreas Matje  
Chief Financial Officer

  
Eduard Petrescu  
Head of Financial Reporting

**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2016**  
**(all amounts are expressed in million RON, unless otherwise specified)**

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**Notes to the interim condensed consolidated statement of financial position**

Capital expenditure decreased to RON 1,337 mn (6m/15: RON 2,069 mn), influenced by substantially lower CAPEX in Upstream.

Investments in Upstream activities (RON 1,064 mn) represented 80% of total CAPEX for 6m/16, 45% below the 6m/15 level of RON 1,947 mn, as investments were further prioritized as a reaction to the falling oil prices. Upstream investments were focused on finalizing field redevelopments, workover activities, drilling development wells, surface facilities, as well as investments related to the Neptun Deep project.

Downstream Oil investments (RON 263 mn) were significantly higher than in 6m/15 (RON 118 mn), mainly driven by works associated with the planned refinery turnaround and investments directed to efficiency, as well as to replacement, legal and environmental compliance projects.

Compared to December 31, 2015, total assets decreased by RON 517 mn, to RON 40,601 mn, mainly driven by a net reduction in non-current assets and by a slight reduction in cash and cash equivalents. The increase in intangible assets by RON 93 mn, which is mostly related to the operations at the Neptun Deep block in the Black Sea, was more than offset by the net decrease of RON 463 mn in property, plant and equipment, as depreciation and impairments exceeded investments during the period.

Equity marginally increased to RON 26,085 mn as of June 30, 2016 compared to RON 25,688 mn as of December 31, 2015, as a result of the net profit generated in the current period. The Group's equity ratio<sup>1</sup> increased to 64% at the end of June 2016, slightly higher than the level of December 2015 (62%).

Total interest bearing debt decreased from RON 1,802 mn as of December 31, 2015 to RON 1,708 mn as of June 30, 2016, following partial reimbursements and RON appreciation vs. USD in the first six months of 2016.

The Group's liabilities other than interest bearing debt decreased by RON 819 mn, predominantly as a consequence of lower trade payables and other financial liabilities, broadly reflecting the reduction in capital expenditure and the completion of the exploration drilling campaign in the Black Sea.

OMV Petrom Group's net debt<sup>2</sup> remained at a similar level to December 31, 2015 of around RON 1.3 bn. Gearing ratio<sup>3</sup> slightly decreased to 4.83% (December 31, 2015: 5.01%).

<sup>1</sup> Equity ratio is calculated as Total equity divided by Total assets (%)

<sup>2</sup> Net debt is calculated as interest bearing debt plus finance lease liabilities less cash and cash equivalents

<sup>3</sup> Gearing ratio is calculated as Net debt divided by Total equity (%)

**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
**INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT**  
**FOR THE SIX MONTHS AND THE THREE MONTHS ENDED JUNE 30, 2016**  
**(all amounts are expressed in million RON, unless otherwise specified)**

| Unaudited      |                 |   | Unaudited        |                  |
|----------------|-----------------|---|------------------|------------------|
| Q2 2016        | Q2 2015         |   | 6 months<br>2016 | 6 months<br>2015 |
| 3,633.09       | 4,540.24        | Sales revenues  | 7,191.63         | 8,810.98         |
| (66.96)        | (102.65)        | Direct selling expenses                                   | (145.66)         | (211.19)         |
| (2,966.66)     | (3,255.75)      | Cost of sales   | (5,883.42)       | (6,398.83)       |
| <b>599.47</b>  | <b>1,181.84</b> | <b>Gross profit</b>                                       | <b>1,162.55</b>  | <b>2,200.96</b>  |
| 79.22          | 232.93          | Other operating income                                    | 345.92           | 286.61           |
| (245.75)       | (233.75)        | Selling expenses  | (459.59)         | (465.57)         |
| (26.48)        | (45.40)         | Administrative expenses                                   | (63.90)          | (98.79)          |
| (86.78)        | (133.27)        | Exploration expenses                                      | (143.60)         | (199.55)         |
| (101.62)       | (216.23)        | Other operating expenses                                  | (280.72)         | (443.39)         |
| <b>218.06</b>  | <b>786.12</b>   | <b>Earnings before interest and taxes (EBIT)</b>          | <b>560.66</b>    | <b>1,280.27</b>  |
| 2.10           | 2.07            | Income from associated companies                          | 5.33             | 3.74             |
| 14.49          | 139.96          | Interest income   | 83.84            | 149.10           |
| (85.31)        | (72.98)         | Interest expenses   | (160.95)         | (152.18)         |
| (17.46)        | (26.09)         | Other financial income and expenses                       | (14.00)          | 20.42            |
| <b>(86.18)</b> | <b>42.96</b>    | <b>Net financial result</b>                               | <b>(85.78)</b>   | <b>21.08</b>     |
| <b>131.88</b>  | <b>829.08</b>   | <b>Profit before tax</b>                                  | <b>474.88</b>    | <b>1,301.35</b>  |
| (15.24)        | (138.00)        | Taxes on income   | (70.02)          | (265.01)         |
| <b>116.64</b>  | <b>691.08</b>   | <b>Net income for the period</b>                          | <b>404.86</b>    | <b>1,036.34</b>  |
| <b>117.73</b>  | <b>692.54</b>   | <b>thereof attributable to stockholders of the parent</b> | <b>408.27</b>    | <b>1,041.36</b>  |
| (1.09)         | (1.46)          | thereof attributable to non-controlling interests         | (3.41)           | (5.02)           |
| <b>0.0021</b>  | <b>0.0122</b>   | <b>Basic earnings per share (RON)</b>                     | <b>0.0072</b>    | <b>0.0184</b>    |

**Notes to the interim condensed consolidated income statement**

**Second quarter 2016 (Q2/16) vs. second quarter 2015 (Q2/15)**

Consolidated sales in Q2/16 amounted to RON 3,633 mn and were 20% below Q2/15, mainly due to lower petroleum products sales, following the further decline in oil prices and lower quantities sold (as a consequence of the Petrobrazil refinery planned turnaround), and due to lower sales of natural gas. These negative effects were partially offset by higher sales of electricity. Downstream Oil represented 75% of total consolidated sales, while Downstream Gas accounted for 22% and Upstream for 3% (sales in Upstream being largely intra-group sales rather than third-party sales).

The Group's EBIT for Q2/16 amounted to RON 218 mn, well below the result recorded in Q2/15 of RON 786 mn, driven by lower sales revenues and lower operating income, as Q2/15 was positively influenced by the outcome from a legal dispute. These effects were only partially offset by the decrease in exploration expenses, mostly due to lower expenses in the Neptun block, and by the favorable development of provisions for outstanding receivables in the gas business.

The net financial result in Q2/16 was showing a loss of RON (86) mn, compared to a gain of RON 43 mn in Q2/15, as Q2/15 was positively influenced by income from a legal dispute.

Consequently, the profit before tax for Q2/16 of RON 132 mn was significantly lower than the RON 829 mn recorded in Q2/15.

Corporate income tax level of RON 15 mn led to an effective tax rate of 12% in Q2/16.

The net income attributable to stockholders (i.e. net income attributable to stockholders of the parent) was RON 118 mn. EPS was RON 0.0021 in Q2/16 vs. RON 0.0122 in Q2/15.

**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
**INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT**  
**FOR THE SIX MONTHS AND THE THREE MONTHS ENDED JUNE 30, 2016**  
**(all amounts are expressed in million RON, unless otherwise specified)**

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**January to June 2016 (6m/16) vs. January to June 2015 (6m/15)**

Consolidated sales of RON 7,192 mn for 6m/16 decreased by 18% compared to 6m/15, mainly as a result of the deteriorating crude oil price environment, in addition to lower natural gas sales, partially offset by higher quantity of power sold. Downstream Oil represented 70% of total consolidated sales, Downstream Gas accounted for 27% and Upstream for 3% (sales in Upstream being largely intra-group sales rather than third party sales).

The Group's EBIT amounted to RON 561 mn (6m/15: RON 1,280 mn), significantly impacted by the decline of international quotations, partially offset by lower exploration cost and the by the favorable development of provisions for outstanding receivables in the gas business.

The net financial result decreased to a loss of RON (86) mn, compared with a gain of RON 21 mn in 6m/15, the latter being influenced by the late payment interest income from a litigation settlement. The evolution of RON vs. USD in 6m/16 vs 6m/15 also had a negative impact on the financial result.

The current income tax charge in 6m/16 was RON 65 mn and deferred tax expenses amounted to RON 5 mn; the effective tax rate for 6m/16 was 15% (20% in 6m/15). The effective tax rate from 6m/15 was influenced by the activities in Kazakhstan and the finalization of the fiscal review in Romania.

Net income attributable to stockholders (i.e. net income attributable to stockholders of the parent) was RON 408 mn (6m/15: RON 1,041 mn), with EPS RON 0.0072 in 6m/16 (6m/15: RON 0.0184).

**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS AND THE THREE MONTHS ENDED JUNE 30, 2016**  
**(all amounts are expressed in million RON, unless otherwise specified)**

| Unaudited      |               |   | Unaudited        |                  |
|----------------|---------------|---|------------------|------------------|
| Q2 2016        | Q2 2015       |   | 6 months<br>2016 | 6 months<br>2015 |
| <b>116.64</b>  | <b>691.08</b> | <b>Net income for the period</b>  | <b>404.86</b>    | <b>1,036.34</b>  |
| (0.06)         | 12.43         | Exchange differences from translation of foreign operations   | (1.82)           | (0.52)           |
| (2.74)         | (13.79)       | Gains/(losses) on hedges  | (14.21)          | (10.14)          |
| <b>(2.80)</b>  | <b>(1.36)</b> | <b>Total of items that may be reclassified ("recycled") subsequently to the income statement</b>        | <b>(16.03)</b>   | <b>(10.66)</b>   |
| (8.35)         | 8.88          | Income tax relating to items that may be reclassified ("recycled") subsequently to the income statement | 8.18             | (16.49)          |
| <b>(8.35)</b>  | <b>8.88</b>   | <b>Total income taxes relating to components of other comprehensive income</b>                          | <b>8.18</b>      | <b>(16.49)</b>   |
| <b>(11.15)</b> | <b>7.52</b>   | <b>Other comprehensive income/(loss) for the period, net of tax</b>                                     | <b>(7.85)</b>    | <b>(27.15)</b>   |
| <b>105.49</b>  | <b>698.60</b> | <b>Total comprehensive income for the period</b>  | <b>397.01</b>    | <b>1,009.19</b>  |
| <b>108.39</b>  | <b>698.78</b> | <b>thereof attributable to stockholders of the parent</b>   | <b>399.30</b>    | <b>1,017.31</b>  |
| (2.90)         | (0.18)        | thereof attributable to non-controlling interests   | (2.29)           | (8.12)           |

**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2016**  
(all amounts are expressed in million RON, unless otherwise specified)

|   | Share<br>capital | Revenue<br>reserves | Other<br>reserves <sup>1</sup> | Treasury<br>shares | Stockholders<br>' equity | Non-<br>controlling<br>interests | Total<br>equity  |
|---|------------------|---------------------|--------------------------------|--------------------|--------------------------|----------------------------------|------------------|
| <b>Balance at January 1, 2016 (audited)</b>             | <b>5,664.41</b>  | <b>20,059.80</b>    | <b>18.94</b>                   | <b>(0.02)</b>      | <b>25,743.13</b>         | <b>(55.10)</b>                   | <b>25,688.03</b> |
| Net income/(loss) for the period                        | -                | 408.27              | -                              | -                  | 408.27                   | (3.41)                           | 404.86           |
| Other comprehensive income/(loss) for the period        | -                | -                   | (8.97)                         | -                  | (8.97)                   | 1.12                             | (7.85)           |
| <b>Total comprehensive income/(loss) for the period</b> | <b>-</b>         | <b>408.27</b>       | <b>(8.97)</b>                  | <b>-</b>           | <b>399.30</b>            | <b>(2.29)</b>                    | <b>397.01</b>    |
| Dividends distribution *)                               | -                | -                   | -                              | -                  | -                        | (0.08)                           | (0.08)           |
| Other increases   | -                | -                   | 0.06                           | -                  | 0.06                     | -                                | 0.06             |
| <b>Balance at June 30, 2016 (unaudited)</b>             | <b>5,664.41</b>  | <b>20,468.07</b>    | <b>10.03</b>                   | <b>(0.02)</b>      | <b>26,142.49</b>         | <b>(57.47)</b>                   | <b>26,085.02</b> |

\*) At the Annual General Meeting of Shareholders held on April 26, 2016, the shareholders of OMV Petrom S.A. approved the Executive Board's proposal not to distribute dividends for the financial year 2015.

|   | Share<br>capital | Revenue<br>reserves | Other<br>reserves <sup>1</sup> | Treasury<br>shares | Stockholders<br>' equity | Non-<br>controlling<br>interests | Total<br>equity  |
|---|------------------|---------------------|--------------------------------|--------------------|--------------------------|----------------------------------|------------------|
| <b>Balance at January 1, 2015 (audited)</b>             | <b>5,664.41</b>  | <b>21,341.07</b>    | <b>36.11</b>                   | <b>(0.02)</b>      | <b>27,041.57</b>         | <b>(36.29)</b>                   | <b>27,005.28</b> |
| Net income/(loss) for the period                        | -                | 1,041.36            | -                              | -                  | 1,041.36                 | (5.02)                           | 1,036.34         |
| Other comprehensive loss for the period                 | -                | -                   | (24.05)                        | -                  | (24.05)                  | (3.10)                           | (27.15)          |
| <b>Total comprehensive income/(loss) for the period</b> | <b>-</b>         | <b>1,041.36</b>     | <b>(24.05)</b>                 | <b>-</b>           | <b>1,017.31</b>          | <b>(8.12)</b>                    | <b>1,009.19</b>  |
| Dividends distribution *)                               | -                | (634.41)            | -                              | -                  | (634.41)                 | (0.09)                           | (634.50)         |
| Change in interests                                     | -                | -                   | -                              | -                  | -                        | 0.01                             | 0.01             |
| <b>Balance at June 30, 2015 (unaudited)</b>             | <b>5,664.41</b>  | <b>21,748.02</b>    | <b>12.06</b>                   | <b>(0.02)</b>      | <b>27,424.47</b>         | <b>(44.49)</b>                   | <b>27,379.98</b> |

\*) At the Annual General Meeting of Shareholders held on April 28, 2015, the shareholders of OMV Petrom S.A. approved the distribution of dividends for the financial year 2014 in gross amount of RON 634 million (RON 0.0112 per share). Payment of the dividends started on June 12, 2015.

<sup>1)</sup> Other reserves contain mainly exchange rate differences from the translation of foreign operations, reserves from business combinations in stages, unrealized gains and losses from hedges, exchange differences on loans considered net investment in a foreign operation and land for which ownership was obtained but was not included in share capital

**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2016**  
**(all amounts are expressed in million RON, unless otherwise specified)**

|  | Unaudited         |                   |
|--|-------------------|-------------------|
|  | 6 months 2016     | 6 months 2015     |
| <b>Profit before taxation</b>  | <b>474.88</b>     | <b>1,301.35</b>   |
| Net change in provisions   | (147.41)          | (226.43)          |
| Gains on the disposal of non-current assets                                      | (8.33)            | (4.58)            |
| Depreciation, amortization including write-ups                                   | 1,746.97          | 1,847.43          |
| Net interest received / (paid)   | (33.46)           | 124.79            |
| Tax on profit paid   | (106.37)          | (420.03)          |
| Other non-monetary adjustments   | 18.93             | (112.78)          |
| <b>Cash generated from operating activities before working capital movements</b> | <b>1,945.21</b>   | <b>2,509.75</b>   |
| Decrease in inventories  | 0.68              | 56.24             |
| (Increase) / decrease in receivables   | 32.53             | (103.12)          |
| Decrease in liabilities  | (207.16)          | (12.52)           |
| <b>Cash flow from operating activities</b>                                       | <b>1,771.26</b>   | <b>2,450.35</b>   |
| Intangible assets and property, plant and equipment                              | (1,765.33)        | (2,898.34)        |
| Proceeds from sale of non-current assets   | 6.21              | 24.63             |
| <b>Cash flow from investing activities</b>                                       | <b>(1,759.12)</b> | <b>(2,873.71)</b> |
| Net drawings / (repayments) of loans   | (100.43)          | 149.57            |
| Dividends paid   | (0.40)            | (628.35)          |
| <b>Cash flow from financing activities</b>                                       | <b>(100.83)</b>   | <b>(478.78)</b>   |
| Effect of foreign exchange rate changes on cash and cash equivalents             | 0.59              | 6.22              |
| <b>Net decrease in cash and cash equivalents</b>                                 | <b>(88.10)</b>    | <b>(895.92)</b>   |
| <b>Cash and cash equivalents at the beginning of the period</b>                  | <b>812.56</b>     | <b>1,267.98</b>   |
| <b>Cash and cash equivalents at the end of the period</b>                        | <b>724.46</b>     | <b>372.06</b>     |

**Notes to the interim condensed consolidated statement of cash flows**

In 6m/16, 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-cash adjustments, as well as net interest and income tax paid was RON 1,945 mn (6m/15: RON 2,510 mn), while net working capital generated a cash outflow of RON 174 mn (6m/15: RON 59 mn). Cash flow from operating activities decreased by RON 679 mn compared to 6m/15, reaching RON 1,771 mn, mainly reflecting the challenging market environment, combined with weaker refining margins.

In 6m/16, the cash flow from investing activities resulted in an outflow of RON 1,759 mn (6m/15: RON 2,874 mn) mainly related to payments for investments in intangible assets and property, plant and equipment.

Free cash flow (defined as cash flow from operating activities less cash flow from investing activities) showed an inflow of funds of RON 12 mn (6m/15: outflow of RON 423 mn). Free cash flow less dividend payments resulted in a cash inflow of RON 12 mn (6m/15: outflow of RON 1,052 mn).

Cash flow from financing activities reflected a net outflow of funds amounting to RON 101 mn (6m/15: RON 479 mn), mainly arising from the repayment of the tranches from the loans from the European Investment Bank and the European Bank for Reconstruction and Development.

**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
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**(all amounts are expressed in million RON, unless otherwise specified)**

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**1. Legal principles**

The interim condensed consolidated financial statements as of and for the six month period ended June 30, 2016 (6m/16) have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as of December 31, 2015.

The interim condensed consolidated financial statements for 6m/16 have been prepared in million RON (RON mn, RON 1,000,000). Accordingly there may be rounding differences.

**2. General accounting policies**

The accounting policies and valuation methods adopted in preparation of the interim condensed consolidated financial statements are consistent with those followed in preparation of the Group's annual consolidated financial statements for the year ended December 31, 2015, except as described herein.

The following new and amended standards and interpretations have been implemented since January 1, 2016. None has had a material impact on the interim condensed consolidated financial statements.

- Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IAS 1 Disclosure Initiative
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization
- Amendments to IAS 27 Equity Method in Separate Financial Statements
- Annual Improvements to IFRSs 2012-2014 Cycle
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investments Entities: Applying the Consolidation Exception

In addition to those presented in the Group's annual consolidated financial statements for the year ended December 31, 2015, the following standards, revisions and interpretations were issued by IASB, but are not yet effective, were not yet adopted by the EU and were not early adopted by the Group:

- Clarifications to IFRS 15 Revenue from Contracts with Customers
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses
- Amendments to IAS 7 Disclosure Initiative
- Amendments to IFRS 2 Classification and Measurement of Share based Payment Transactions

Potential effects in the respective years of initial application are currently being evaluated by management.

**3. Group structure**

The detailed structure of the consolidated companies in OMV Petrom Group at June 30, 2016 is presented below. Compared with the consolidated financial statements as of December 31, 2015, the subsidiaries OMV Petrom Ukraine E&P GmbH and OMV Petrom Ukraine Finance Services GmbH were liquidated during 2016, having an immaterial effect on the Group's financials.

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**Parent company**

OMV Petrom S.A.

**Subsidiaries**

***Upstream***

|  |         |
|--|---------|
| Tasbulat Oil Corporation LLP (Kazakhstan) <sup>1</sup> | 100.00% |
| Kom Munai LLP (Kazakhstan)                             | 95.00%  |
| Petrom Exploration & Production Ltd.                   | 99.99%  |

***Downstream Oil***

|   |         |
|---|---------|
| OMV Petrom Marketing S.R.L.                   | 100.00% |
| OMV Petrom Aviation S.A.                      | 99.99%  |
| ICS Petrom Moldova S.A. (Republic of Moldova) | 100.00% |
| OMV Bulgaria OOD (Bulgaria)                   | 99.90%  |
| OMV Srbija DOO (Serbia)                       | 99.96%  |

***Downstream Gas***

|                              |        |
|------------------------------|--------|
| OMV Petrom Gas S.R.L.        | 99.99% |
| OMV Petrom Wind Power S.R.L. | 99.99% |

***Corporate & Other***

|                           |        |
|---------------------------|--------|
| Petromed Solutions S.R.L. | 99.99% |
|---------------------------|--------|

<sup>1</sup> Owned through Tasbulat Oil Corporation BVI as holding company

**Associated company, accounted for at equity**

|                                    |        |
|------------------------------------|--------|
| OMV Petrom Global Solutions S.R.L. | 25.00% |
|------------------------------------|--------|

The detailed structure of the consolidated companies in OMV Petrom Group at December 31, 2015 is presented below:

**Parent company**

OMV Petrom S.A.

**Subsidiaries**

***Upstream***

|  |         |
|--|---------|
| Tasbulat Oil Corporation LLP (Kazakhstan) <sup>1</sup> | 100.00% |
| OMV Petrom Ukraine E&P GmbH                            | 100.00% |
| OMV Petrom Ukraine Finance Services GmbH               | 100.00% |
| Kom Munai LLP (Kazakhstan)                             | 95.00%  |
| Petrom Exploration & Production Ltd.                   | 99.99%  |

***Downstream Oil***

|   |         |
|---|---------|
| OMV Petrom Marketing S.R.L.                   | 100.00% |
| OMV Petrom Aviation S.A.                      | 99.99%  |
| ICS Petrom Moldova S.A. (Republic of Moldova) | 100.00% |
| OMV Bulgaria OOD (Bulgaria)                   | 99.90%  |
| OMV Srbija DOO (Serbia)                       | 99.96%  |

***Downstream Gas***

|                              |        |
|------------------------------|--------|
| OMV Petrom Gas S.R.L.        | 99.99% |
| OMV Petrom Wind Power S.R.L. | 99.99% |

***Corporate & Other***

|                           |        |
|---------------------------|--------|
| Petromed Solutions S.R.L. | 99.99% |
|---------------------------|--------|

<sup>1</sup> Owned through Tasbulat Oil Corporation BVI as holding company

**Associated company, accounted for at equity**

|                                    |        |
|------------------------------------|--------|
| OMV Petrom Global Solutions S.R.L. | 25.00% |
|------------------------------------|--------|

**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**4. Seasonality and cyclicalit**

Seasonality is of particular significance in Downstream businesses, as presented below.

Consumption of natural gas, electricity, heat and certain oil products is seasonal and is significantly affected by climatic conditions. Natural gas consumption is generally higher during the cold winter months. Electricity consumption is also generally higher during winter as a supplementary measure to produce heat and due to fewer daylight hours and need for more artificial lighting. However, during very hot summer periods, the increased usage of air cooling systems can also significantly increase electricity consumption. Natural gas sales and electricity generation may also be significantly affected by climatic conditions, such as unusually hot or cold temperatures. Consequently, our results reflect the seasonal character of the demand for natural gas and electricity, and may be influenced by variations in climatic conditions.

Accordingly, the results of operations of the Downstream Gas business segment and, to a lesser extent, the Downstream Oil business segment, as well as the comparability of results over different periods, may be affected by changes in weather conditions.

**5. Exchange rates**

OMV Petrom uses the National Bank of Romania (NBR) exchange rates in its consolidation process. Income statements of foreign subsidiaries are translated to RON using average of daily exchange rates published by the National Bank of Romania, detailed below.

Statements of the financial position of foreign subsidiaries are translated to RON using the closing rate method based on exchange rates published by the National Bank of Romania, detailed below.

| <u>Q2 2016</u> | <u>Q2 2015</u> | <b>NBR FX rates</b>     | <u>6 months<br/>2016</u> | <u>6 months<br/>2015</u> |
|----------------|----------------|-------------------------|--------------------------|--------------------------|
| 4.498          | 4.444          | Average EUR/RON FX rate | 4.495                    | 4.447                    |
| 3.984          | 4.018          | Average USD/RON FX rate | 4.029                    | 3.989                    |
| 4.521          | 4.474          | Closing EUR/RON FX rate | 4.521                    | 4.474                    |
| 4.062          | 3.997          | Closing USD/RON FX rate | 4.062                    | 3.997                    |

**6. Segment reporting**

**Intersegmental sales**

| <u>Q2 2016</u>  | <u>Q2 2015</u>  |                                    | <u>6 months<br/>2016</u> | <u>6 months<br/>2015</u> |
|-----------------|-----------------|------------------------------------|--------------------------|--------------------------|
| 1,772.86        | 2,400.79        | Upstream                           | 3,304.02                 | 4,453.86                 |
| 58.95           | 79.03           | Downstream *                       | 128.34                   | 165.85                   |
| 16.64           | 25.63           | thereof Downstream Oil             | 37.08                    | 52.94                    |
| 65.02           | 84.78           | thereof Downstream Gas             | 152.17                   | 180.31                   |
| (22.71)         | (31.38)         | thereof intersegmental elimination | (60.91)                  | (67.40)                  |
| 43.12           | 50.51           | Downstream Oil and Downstream Gas  | 83.70                    | 97.92                    |
| <b>1,874.93</b> | <b>2,530.33</b> | <b>Total</b>                       | <b>3,516.06</b>          | <b>4,717.63</b>          |

**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**Sales to external customers**

| <b>Q2 2016</b>  | <b>Q2 2015</b>  |                        | <b>6 months<br/>2016</b> | <b>6 months<br/>2015</b> |
|-----------------|-----------------|------------------------|--------------------------|--------------------------|
| 105.17          | 169.61          | Upstream               | 216.52                   | 310.66                   |
| 3,517.03        | 4,364.46        | Downstream *           | 6,956.93                 | 8,488.77                 |
| 2,712.96        | 3,598.97        | thereof Downstream Oil | 4,994.84                 | 6,420.85                 |
| 804.07          | 765.49          | thereof Downstream Gas | 1,962.09                 | 2,067.92                 |
| 10.89           | 6.17            | Corporate and Other    | 18.18                    | 11.55                    |
| <b>3,633.09</b> | <b>4,540.24</b> | <b>Total</b>           | <b>7,191.63</b>          | <b>8,810.98</b>          |

**Total sales<sup>1</sup>**

| <b>Q2 2016</b>  | <b>Q2 2015</b>  |   | <b>6 months<br/>2016</b> | <b>6 months<br/>2015</b> |
|-----------------|-----------------|---|--------------------------|--------------------------|
| 1,878.03        | 2,570.40        | Upstream  | 3,520.54                 | 4,764.52                 |
| 3,575.98        | 4,443.49        | Downstream *  | 7,085.27                 | 8,654.62                 |
| 2,729.60        | 3,624.60        | thereof Downstream Oil  | 5,031.92                 | 6,473.79                 |
| 869.09          | 850.27          | thereof Downstream Gas  | 2,114.26                 | 2,248.23                 |
| (22.71)         | (31.38)         | thereof intersegmental elimination<br>Downstream Oil and Downstream Gas | (60.91)                  | (67.40)                  |
| 54.01           | 56.68           | Corporate and Other   | 101.88                   | 109.47                   |
| <b>5,508.02</b> | <b>7,070.57</b> | <b>Total</b>  | <b>10,707.69</b>         | <b>13,528.61</b>         |

<sup>1</sup> Not consolidated

**Segment and Group profit**

| <b>Q2 2016</b> | <b>Q2 2015</b> |   | <b>6 months<br/>2016</b> | <b>6 months<br/>2015</b> |
|----------------|----------------|---|--------------------------|--------------------------|
| 151.29         | 531.20         | EBIT Upstream   | 71.29                    | 695.28                   |
| 274.57         | 421.57         | EBIT Downstream   | 634.17                   | 766.30                   |
| 304.64         | 505.64         | thereof EBIT Downstream Oil                             | 616.84                   | 847.22                   |
| (30.07)        | (84.07)        | thereof EBIT Downstream Gas                             | 17.33                    | (80.92)                  |
| (7.79)         | (10.48)        | EBIT Corporate and Other                                | (24.66)                  | (36.09)                  |
| <b>418.07</b>  | <b>942.29</b>  | <b>EBIT segment total</b>                               | <b>680.80</b>            | <b>1,425.49</b>          |
| (200.01)       | (156.17)       | Consolidation: Elimination of<br>intersegmental profits | (120.14)                 | (145.22)                 |
| <b>218.06</b>  | <b>786.12</b>  | <b>OMV Petrom Group EBIT</b>                            | <b>560.66</b>            | <b>1,280.27</b>          |
| <b>(86.18)</b> | <b>42.96</b>   | <b>Net financial result</b>                             | <b>(85.78)</b>           | <b>21.08</b>             |
| <b>131.88</b>  | <b>829.08</b>  | <b>OMV Petrom Group profit before tax</b>               | <b>474.88</b>            | <b>1,301.35</b>          |

**Segment assets<sup>2</sup>**

|                        | <b>June 30, 2016</b> | <b>December 31, 2015</b> |
|------------------------|----------------------|--------------------------|
| Upstream               | 23,742.44            | 24,003.63                |
| Downstream *           | 7,097.72             | 7,197.07                 |
| thereof Downstream Oil | 5,368.49             | 5,420.51                 |
| thereof Downstream Gas | 1,729.23             | 1,776.56                 |
| Corporate and Other    | 498.52               | 507.51                   |
| <b>Total</b>           | <b>31,338.68</b>     | <b>31,708.21</b>         |

<sup>2</sup> Segment assets consist of intangible assets and property, plant and equipment

\* Starting with April 1, 2015 the business segments were renamed as follows: Exploration and Production to Upstream, Refining and Marketing to Downstream Oil, Gas and Power to Downstream Gas. Sales Downstream = Sales Downstream Oil + Sales Downstream Gas – intersegmental elimination Downstream Oil and Downstream Gas

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**7. Significant transactions with related parties**

Significant transactions in form of supplies of goods and services take place on a constant and regular basis with companies from OMV Group.

During the six month period ended June 30, 2016, OMV Petrom Group had the following significant transactions with related parties (including balances as of June 30, 2016):

| <b>Related party</b>               | <b>Purchases<br/>6 months 2016</b> | <b>Payable<br/>June 30, 2016</b> |
|------------------------------------|------------------------------------|----------------------------------|
| OMV Petrom Global Solutions S.R.L. | 232.00                             | 37.67                            |
| OMV Refining & Marketing GmbH      | 57.00                              | 32.14                            |
| OMV International Services GmbH    | 2.85                               | 33.63                            |

| <b>Related party</b>            | <b>Revenues<br/>6 months 2016</b> | <b>Receivable<br/>June 30, 2016</b> |
|---------------------------------|-----------------------------------|-------------------------------------|
| OMV Supply & Trading Limited    | 276.04                            | -                                   |
| OMV Deutschland GmbH            | 70.31                             | 8.40                                |
| OMV Trading GmbH                | 63.12                             | -                                   |
| OMV International Services GmbH | 0.71                              | 14.12                               |

During the six month period ended June 30, 2015, OMV Petrom Group had the following significant transactions with related parties (including balances as of December 31, 2015):

| <b>Related party</b>               | <b>Purchases<br/>6 months 2015</b> | <b>Payable<br/>Dec 31, 2015</b> |
|------------------------------------|------------------------------------|---------------------------------|
| OMV Petrom Global Solutions S.R.L. | 250.29                             | 31.20                           |
| OMV Refining & Marketing GmbH      | 128.70                             | 54.88                           |
| OMV Supply & Trading Limited       | 80.17                              | 0.84                            |
| OMV Exploration & Production GmbH  | 41.68                              | 17.73                           |

| <b>Related party</b>            | <b>Revenues<br/>6 months 2015</b> | <b>Receivable<br/>Dec 31, 2015</b> |
|---------------------------------|-----------------------------------|------------------------------------|
| OMV Supply & Trading Limited    | 506.30                            | 12.37                              |
| OMV Deutschland GmbH            | 127.36                            | 22.15                              |
| OMV Supply & Trading AG         | 59.98                             | 0.65                               |
| OMV International Services GmbH | 1.48                              | 14.15                              |

**8. Fair value measurement**

Financial instruments recognized at fair value are disclosed according to the following fair value measurement hierarchy:

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). The valuation techniques include forward pricing and options pricing models. The models incorporate various inputs including forward rate curves of the underlying commodity, spot prices, time to maturity etc.

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.

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

| Financial instruments on<br>asset side                            | June 30, 2016 |             |            |             | December 31, 2015 |               |            |               |
|---|---------------|-------------|------------|-------------|-------------------|---------------|------------|---------------|
|   | Level<br>1    | Level<br>2  | Level<br>3 | Total       | Level<br>1        | Level<br>2    | Level<br>3 | Total         |
| Derivatives designated and<br>effective as hedging<br>instruments | -             | -           | -          | -           | -                 | -             | -          | -             |
| Other derivatives   | -             | 6.52        | -          | 6.52        | -                 | 105.16        | -          | 105.16        |
| <b>Total</b>  | <b>-</b>      | <b>6.52</b> | <b>-</b>   | <b>6.52</b> | <b>-</b>          | <b>105.16</b> | <b>-</b>   | <b>105.16</b> |

| Financial instruments on<br>liability side                                       | June 30, 2016 |               |            |               | December 31, 2015 |                 |            |                 |
|--|---------------|---------------|------------|---------------|-------------------|-----------------|------------|-----------------|
|  | Level<br>1    | Level<br>2    | Level<br>3 | Total         | Level<br>1        | Level<br>2      | Level<br>3 | Total           |
| Liabilities on derivatives<br>designated and effective as<br>hedging instruments | -             | -             | -          | -             | -                 | -               | -          | -               |
| Liabilities on other derivatives   | -             | (0.08)        | -          | (0.08)        | -                 | (102.05)        | -          | (102.05)        |
| <b>Total</b>   | <b>-</b>      | <b>(0.08)</b> | <b>-</b>   | <b>(0.08)</b> | <b>-</b>          | <b>(102.05)</b> | <b>-</b>   | <b>(102.05)</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.

Interest-bearing debts amounting to RON 1,708 million (December 31, 2015: RON 1,802 million) are valued at amortized cost. The estimated fair value of these liabilities was RON 1,745 million (December 31, 2015: RON 1,812 million).

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

## 9. Commitments

As at June 30, 2016 the total commitments engaged by OMV Petrom Group for investments, including its share of the aggregate capital commitments for joint arrangements, is of RON 746 million (December 31, 2015: RON 1,261 million).

## 10. Financial liabilities

As of June 30, 2016, short- and long-term interest bearing debts and finance leases amounted to RON 1,985 mn (December 31, 2015: RON 2,099 mn), thereof RON 278 mn liabilities for finance leases (December 31, 2015: RON 296 mn).

## 11. Income tax

| Q2 2016 | Q2 2015 |                          | 6 months<br>2016 | 6 months<br>2015 |
|---------|---------|--------------------------|------------------|------------------|
| 15.24   | 138.00  | <b>Taxes on income</b>   | <b>70.02</b>     | <b>265.01</b>    |
| 37.27   | 190.22  | Current taxes            | 64.78            | 304.08           |
| (22.03) | (52.22) | Deferred taxes           | 5.24             | (39.07)          |
| 12%     | 17%     | Group effective tax rate | 15%              | 20%              |

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**12. Subsequent events**

Changes in the Supervisory Board: Reinhard Florey has been appointed as an interim member and Deputy President of the Supervisory Board, effective August 1, 2016 until the next General Meeting of Shareholders.

These interim condensed consolidated financial statements and accompanying notes, from page 3 to page 16, were approved on August 8, 2016.