

OMV PETROM S.A.

**INTERIM CONDENSED SEPARATE
FINANCIAL STATEMENTS**

**AS OF AND FOR THE SIX MONTH PERIOD ENDED
JUNE 30, 2019**

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
(condensed, unaudited)

INCLUDING THE DIRECTORS' REPORT

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OMV PETROM S.A.
INTERIM SEPARATE STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2019
(all amounts are expressed in million RON, unless otherwise specified)

	June 30, 2019	December 31, 2018
ASSETS		
Intangible assets	3,204.37	3,036.05
Property, plant and equipment	25,053.42	24,675.51
Investments	1,840.49	1,878.68
Other financial assets	2,442.44	2,524.39
Other assets	179.13	70.72
Deferred tax assets	1,357.24	1,357.16
Non-current assets	34,077.09	33,542.51
Inventories	1,949.21	1,683.32
Trade receivables	1,638.62	2,026.52
Other financial assets	456.06	346.47
Other assets	365.65	385.22
Cash and cash equivalents	4,533.30	4,901.35
Current assets	8,942.84	9,342.88
Assets held for sale	-	127.91
Total assets	43,019.93	43,013.30
EQUITY AND LIABILITIES		
Share capital	5,664.41	5,664.41
Reserves	25,337.77	24,649.14
Total equity	31,002.18	30,313.55
Provisions for pensions and similar obligations	202.86	203.38
Interest-bearing debts	477.09	281.87
Provisions for decommissioning and restoration obligations	6,109.36	5,867.72
Other provisions	320.57	184.68
Other financial liabilities	89.77	136.49
Other liabilities	14.37	14.84
Non-current liabilities	7,214.02	6,688.98

OMV PETROM S.A.
INTERIM SEPARATE STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2019
(all amounts are expressed in million RON, unless otherwise specified)

	June 30, 2019	December 31, 2018
Trade payables	1,938.35	2,413.37
Interest-bearing debts	1,136.50	1,730.01
Income tax liabilities	123.55	172.28
Other provisions and decommissioning	615.19	630.61
Other financial liabilities	313.93	341.56
Other liabilities	676.21	619.88
Current liabilities	4,803.73	5,907.71
Liabilities associated with assets held for sale	-	103.06
Total equity and liabilities	43,019.93	43,013.30

These interim condensed separate financial statements and accompanying notes, from page 1 to page 13, were approved on July 31st, 2019.



Christina Verchere
Chief Executive Officer
President of the Executive Board



Alina-Gabriela Popa
Chief Financial Officer
Member of the Executive Board



Peter Zeilinger
Member of the Executive Board
Upstream



Franck Neel
Member of the Executive Board
Downstream Gas



Radu Căprău
Member of the Executive Board
Downstream Oil



Irina-Nadia Dobre
Director Finance Department



Nicoleta-Mihaela Drumea
Head of Financial Reporting

OMV PETROM S.A.
INTERIM SEPARATE INCOME STATEMENT AND
STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS AND THE THREE MONTHS ENDED JUNE 30, 2019
(all amounts are expressed in million RON, unless otherwise specified)

Q2 2019	Q2 2018		6 months 2019	6 months 2018
4,342.64	3,947.12	Sales revenues	8,618.50	7,890.14
22.20	45.34	Other operating income	182.45	70.01
512.85	450.66	Net income from consolidated subsidiaries and equity-accounted investments	521.98	450.66
4,877.69	4,443.12	Total revenues and other income	9,322.93	8,410.81
(1,417.62)	(1,402.52)	Purchases (net of inventory variation)	(2,640.57)	(2,391.02)
(783.54)	(841.56)	Production and operating expenses	(1,565.36)	(1,608.80)
(263.73)	(295.53)	Production and similar taxes	(579.91)	(567.97)
(787.81)	(714.16)	Depreciation, amortization and impairment charges	(1,490.97)	(1,445.87)
(210.50)	(177.01)	Selling, distribution and administrative expenses	(431.38)	(340.02)
(74.84)	(52.62)	Exploration expenses	(93.68)	(84.56)
(75.69)	(37.52)	Other operating expenses	(76.67)	(60.06)
1,263.96	922.20	Operating result	2,444.39	1,912.51
106.50	43.07	Interest income	205.03	80.46
(77.20)	(183.98)	Interest expenses	(153.04)	(255.88)
(1.13)	(40.47)	Other financial income and expenses	3.16	(29.96)
28.17	(181.38)	Net financial result	55.15	(205.38)
1,292.13	740.82	Profit before tax	2,499.54	1,707.13
(131.39)	(116.23)	Taxes on income	(278.30)	(265.22)
1,160.74	624.59	Net income for the period	2,221.24	1,441.91
(1.07)	-	Other comprehensive income for the period, net of tax	(3.23)	-
1,159.67	624.59	Total comprehensive income for the period	2,218.01	1,441.91

OMV PETROM S.A.
INTERIM CONDENSED SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2019
(all amounts are expressed in million RON, unless otherwise specified)

	Share capital	Revenue reserves	Cash flow hedging reserve	Other reserves	Treasury shares	Total equity
Balance at January 1, 2019	5,664.41	24,569.29	4.22	75.65	(0.02)	30,313.55
Net income for the period	-	2,221.24	-	-	-	2,221.24
Other comprehensive income for the period	-	-	(3.23)	-	-	(3.23)
Total comprehensive income for the period	-	2,221.24	(3.23)	-	-	2,218.01
Dividends distribution *)	-	(1,529.38)	-	-	-	(1,529.38)
Other changes	-	-	-	-	-	-
Balance at June 30, 2019	5,664.41	25,261.15	0.99	75.65	(0.02)	31,002.18

*) At the Annual General Meeting of Shareholders held on April 19, 2019, the shareholders of OMV Petrom S.A. approved the distribution of dividends for the financial year 2018 for the gross amount of RON 1,529 mn (gross dividend per share of RON 0.027). Payment of the dividends started on June 13, 2019.

	Share capital	Revenue reserves	Cash flow hedging reserve	Other reserves	Treasury shares	Total equity
Balance at January 1, 2018	5,664.41	21,820.19	-	75.54	(0.02)	27,560.12
Net income for the period	-	1,441.91	-	-	-	1,441.91
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	1,441.91	-	-	-	1,441.91
Dividends distribution *)	-	(1,132.88)	-	-	-	(1,132.88)
Other changes	-	(4.61)	-	-	-	(4.61)
Balance at June 30, 2018	5,664.41	22,124.61	-	75.54	(0.02)	27,864.54

*) At the Annual General Meeting of Shareholders held on April 26, 2018, the shareholders of OMV Petrom S.A. approved the distribution of dividends for the financial year 2017 in gross amount of RON 1,133 mn (gross dividend per share of RON 0.020). Payment of the dividends started on June 19, 2018.

OMV PETROM S.A.
INTERIM CONDENSED SEPARATE STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2019
(all amounts are expressed in million RON, unless otherwise specified)

	6 months 2019	6 months 2018
Profit before tax	2,499.55	1,707.13
Net change in provisions	42.28	84.94
Losses/ (gains) on the disposal of non-current assets	(58.07)	0.35
Depreciation, amortization and impairments including write-ups	1,536.98	1,513.89
Dividend income	(521.98)	(446.35)
Dividends received	521.98	446.02
Net interest received	39.09	25.81
Tax on profit paid	(325.66)	(189.47)
Other non-monetary adjustments	(262.80)	132.20
Sources of funds	3,471.37	3,274.52
Increase in inventories	(264.77)	(127.65)
(Increase)/decrease in receivables and other assets	481.99	(112.92)
Increase/(decrease) in liabilities	(165.75)	105.12
Cash flow from operating activities	3,522.84	3,139.07
Intangible assets and property, plant and equipment	(1,872.20)	(1,915.01)
Net (increase)/ decrease in investments	124.27	(1.01)
Net increase in loans given to subsidiaries	(7.51)	(45.12)
Proceeds in relation to non-current assets	44.92	11.14
Proceeds from transfer of business	78.58	-
Proceeds from disposal of investment and loans	-	13.21
Cash flow from investing activities	(1,631.94)	(1,936.79)
Net increase in/ (repayment of) loans taken from subsidiaries	(522.69)	14.18
Net repayment of other borrowings	(222.82)	(272.94)
Dividends paid	(1,514.14)	(1,121.46)
Cash flow from financing activities	(2,259.65)	(1,380.22)
Effect of foreign exchange rate changes on cash and cash equivalents	0.70	0.62
Net decrease in cash and cash equivalents	(368.05)	(177.32)
Cash and cash equivalents at the beginning of the period	4,901.35	3,780.13
Cash and cash equivalents at the end of the period	4,533.30	3,602.81

OMV PETROM S.A.
NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2019
(all amounts are expressed in million RON, unless otherwise specified)

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

1. Legal principles and general accounting policies

The interim condensed separate financial statements of OMV Petrom S.A. (the Company) as of and for the six-month period ended June 30, 2019 ("Q2/19") have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed separate financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual separate financial statements as of December 31, 2018.

The interim condensed separate financial statements for Q2/19 are unaudited and an external limited review by an auditor was not performed.

The interim condensed separate financial statements for Q2/19 have been prepared in million RON (RON mn, RON 1,000,000). Accordingly there may be rounding differences.

The accounting policies and valuation methods adopted in the preparation of the interim condensed separate financial statements are consistent with those followed in the preparation of OMV Petrom S.A. annual separate financial statements for the year ended December 31, 2018, except for the adoption of new standards effective as of January 1, 2019. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Company has initially adopted IFRS 16 Leases from January 1, 2019.

A number of other amendments and interpretations have been effective since January 1, 2019, but they do not have a material effect on the Company's interim condensed separate financial statements.

IFRS 16 Leases

This standard replaces IAS 17 and sets out new rules for lease accounting. For the lessee's accounting, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as required by IAS 17 and, instead, introduces a single lessee accounting model. Applying that model, a lessee is required to recognize right-of-use assets and liabilities for leases in the scope of IFRS 16 and depreciation of the right-of-use assets separately from interest on lease liabilities in the income statement. The right-of-use assets are depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term. Interest expense is charged to profit or loss over the lease period on the remaining balance of the lease liability for each period. For lessors, there are minor changes compared to IAS 17.

On transition to IFRS 16, OMV Petrom applied the practical expedient to grandfather the assessment of which transactions are leases. This means it applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under the previous standard were not reassessed for whether they are leases. Additionally, OMV Petrom did not recognize any right-of-use assets and lease liabilities for contracts expiring in 2019.

Leases to explore for and use oil and natural gas, which comprise mainly land leases used for such activities, are not in the scope of IAS 17 and IFRS 16. In addition, some commitments are covered by the exceptions for short-term and low-value leases. Consequently, right-of-use assets and lease liabilities were not recognized for these contracts. Moreover, non-lease components are separated from the lease components for measurement of right-of-use assets and lease liabilities.

OMV PETROM S.A.
NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2019
(all amounts are expressed in million RON, unless otherwise specified)

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

OMV Petrom initially applied IFRS 16 on January 1, 2019 using the modified retrospective approach for transition, thus not restating comparative amounts for the comparative period presented. The right-of-use assets for previous operating leases were measured at the date of initial application at the amount of the lease liability, adjusted by prepaid or accrued lease payments. The lease liabilities were measured at the present value of the lease payments over the remaining lease term, discounted using the incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental borrowing rate applied to these lease liabilities on January 1, 2019 was 0.81%. The first-time application of IFRS 16 resulted in recognizing RON 149 mn as right-of-use assets and RON 137 mn as lease liabilities for previous operating leases. For leases previously classified as finance leases the Company recognized the carrying amount of the lease asset and lease liability before transition as the carrying amount of the right-of-use asset and lease liability at the date of initial application. In the statement of financial position, the right-of-use assets are presented within the Property, plant and equipment line and lease liabilities within the Interest-bearing debts lines.

Reconciliation of future operating lease commitments as at December 31, 2018 to lease liability as at January 1, 2019

	January 1, 2019
Future minimum lease payments under non-cancellable operating leases as at December 31, 2018	124
less minimum lease payments for short-term leases	(20)
less minimum lease payments for low value leases	-
plus minimum lease payments under reasonably certain prolongation or termination options	47
Gross lease liability for previously unrecognized operating lease commitments as at January 1, 2019	151
less discounting effect as at January 1, 2019	(14)
Lease liability for previously unrecognized operating lease commitments as at January 1, 2019	137
Finance lease liability recognized as at 31 December, 2018	155
Lease liability recognized as at January 1, 2019	292

Leasing overview

	June 30, 2019
Right of use assets	
Right of use assets - land and buildings	52
Right of use assets - plant and machinery	116
Right of use assets - other fixtures, fittings and equipment	121
Total right of use assets – carrying amount	290
	6m/19
Depreciation of right-of-use assets	36

Lease liabilities

	June 30, 2019
Non-current lease liabilities	236
Current lease liabilities	74
Total lease liabilities	310

OMV PETROM S.A.
NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2019
(all amounts are expressed in million RON, unless otherwise specified)

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

2. Exchange rates

Foreign currency transactions are recorded at the exchange rate ruling on transaction date. Monetary assets and liabilities expressed in foreign currency are converted into RON at the exchange rate on the balance sheet date, communicated by the National Bank of Romania ("NBR").

All differences resulting from foreign currency amounts settlements are recognized in the 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 reporting period.

Q2 2019	Q2 2018	NBR FX rates	6 months 2019	6 months 2018
4.748	4.652	Average EUR/RON FX rate	4.742	4.654
4.225	3.904	Average USD/RON FX rate	4.197	3.844
4.735	4.661	Closing EUR/RON FX rate	4.735	4.661
4.159	4.003	Closing USD/RON FX rate	4.159	4.003

3. Commitments

As at June 30, 2019 the total commitments engaged by OMV Petrom S.A. for investments, including its share of the aggregate capital commitments for joint arrangements, is of RON 1,213 mn (December 31, 2018: RON 899 mn).

4. Inventories

During the six months ended June 30, 2019, there were no material write downs of inventories.

5. Financial liabilities

As of June 30, 2019, short- and long-term interest bearing debts and finance leases amounted to RON 1,614 mn, thereof RON 310 mn liabilities for finance leases. Starting with January 1, 2019 lease liabilities are included in the line "Interest-bearing debts" in the Interim separate statement of financial position due to implementation of IFRS 16.

As of December 31, 2018, short and long-term interest bearing debts and finance leases amounted to RON 2,167 mn, thereof RON 155 mn liabilities for finance leases.

6. 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).

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.

OMV PETROM S.A.
NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2019
(all amounts are expressed in million RON, unless otherwise specified)

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

Financial instruments on asset side	June 30, 2019				December 31, 2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Derivatives designated and effective as hedging instruments	-	3.28	-	3.28	-	5.78	-	5.78
Other derivatives	-	53.30	-	53.30	-	44.94	-	44.94
Total	-	56.58	-	56.58	-	50.72	-	50.72

Financial instruments on liability side	June 30, 2019				December 31, 2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Liabilities on derivatives designated and effective as hedging instruments	-	(2.11)	-	(2.11)	-	(0.75)	-	(0.75)
Other derivatives	-	(151.55)	-	(151.55)	-	(162.78)	-	(162.78)
Other financial liabilities	-	-	(11.41)	(11.41)	-	-	(11.41)	(11.41)
Total	-	(153.66)	(11.41)	(165.07)	-	(163.53)	(11.41)	(174.94)

There were no transfers between levels of the fair value hierarchy. There were no changes in the fair value measurement techniques for assets and liabilities that are measured at fair value.

Interest-bearing debts other than lease liabilities amount to RON 1,303 mn (December 31, 2018: RON 2,012 mn). The estimated fair value of these liabilities was RON 1,307 mn (December 31, 2018: RON 2,017 mn).

Loans to subsidiaries amounting to RON 490 mn (December 31, 2018: RON 469 mn) are valued at amortized cost. The estimated fair value of these assets was RON 499 mn (December 31, 2018: RON 485 mn).

The carrying amount of all other financial assets and financial liabilities approximates their fair value.

7. Sales revenues

	6 months 2019
Revenues from contracts with customers	8,629.44
Revenues from other sources	(10.94)
Total sales revenues	8,618.50

Revenues from other sources include mainly the impact from commodity sales/purchases transactions that are within the scope of IFRS 9 Financial Instruments, as well as rental and lease revenues.

OMV PETROM S.A.
NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2019
(all amounts are expressed in million RON, unless otherwise specified)

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

Revenues from contracts with customers

	6 months 2019					
	Upstream	Downstream	thereof Downstream Oil	thereof Downstream Gas	Corporate & Other	Total
Crude oil and NGL	-	39.60	39.60	-	-	39.60
Natural gas, LNG and power	3.15	2,280.69	1.17	2,279.52	-	2,283.84
Fuels and heating oil	-	5,409.60	5,409.60	-	-	5,409.60
Other goods and services	31.42	857.39	856.15	1.24	7.59	896.40
Total	34.57	8,587.28	6,306.52	2,280.76	7.59	8,629.44

	6 months 2018
Revenues from contracts with customers	7,975.17
Revenues from other sources	(85.03)
Total sales revenues	7,890.14

Revenues from other sources include mainly the impact from commodity sales transactions that are within the scope of IFRS 9 Financial Instruments, as well as rental and lease revenues.

Revenues from contracts with customers

	6 months 2018					
	Upstream	Downstream	thereof Downstream Oil	thereof Downstream Gas	Corporate & Other	Total
Crude oil and NGL	-	66.16	66.16	-	-	66.16
Natural gas, LNG and power	2.67	2,086.74	0.91	2,085.83	-	2,089.41
Fuels and heating oil	-	5,130.42	5,130.42	-	-	5,130.42
Other goods and services	33.29	644.08	642.25	1.83	11.81	689.18
Total	35.96	7,927.40	5,839.74	2,087.66	11.81	7,975.17

8. Income tax

Q2 2019	Q2 2018		6 months 2019	6 months 2018
122.42	109.98	Current taxes	277.77	259.04
8.97	6.25	Deferred taxes – expense/ (revenue)	0.53	6.18
131.39	116.23	Taxes on income	278.30	265.22

OMV PETROM S.A.
NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2019
(all amounts are expressed in million RON, unless otherwise specified)

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

9. Segment reporting

Intersegmental sales

Q2 2019	Q2 2018		6 months 2019	6 months 2018
2,327.73	2,333.02	Upstream	4,602.44	4,463.41
44.68	33.61	Downstream	93.98	79.06
13.64	12.70	thereof Downstream Oil	27.98	29.08
57.62	39.24	thereof Downstream Gas	123.85	90.87
(26.58)	(18.33)	thereof intersegmental elimination Downstream Oil and Downstream Gas	(57.85)	(40.89)
38.41	34.13	Corporate and Other	75.02	67.98
2,410.82	2,400.76	Total	4,771.44	4,610.45

Sales to external customers

Q2 2019	Q2 2018		6 months 2019	6 months 2018
19.71	20.19	Upstream	37.97	39.54
4,313.63	3,916.14	Downstream	8,561.71	7,828.58
3,510.34	3,197.06	thereof Downstream Oil	6,296.57	5,832.67
803.29	719.08	thereof Downstream Gas	2,265.14	1,995.91
9.30	10.79	Corporate and Other	18.82	22.02
4,342.64	3,947.12	Total	8,618.50	7,890.14

Total sales

Q2 2019	Q2 2018		6 months 2019	6 months 2018
2,347.44	2,353.21	Upstream	4,640.41	4,502.95
4,358.31	3,949.75	Downstream	8,655.69	7,907.64
3,523.98	3,209.76	thereof Downstream Oil	6,324.55	5,861.75
860.91	758.32	thereof Downstream Gas	2,388.99	2,086.78
(26.58)	(18.33)	thereof intersegmental elimination Downstream Oil and Downstream Gas	(57.85)	(40.89)
47.71	44.92	Corporate and Other	93.84	90.00
6,753.46	6,347.88	Total	13,389.94	12,500.59

Segment profit

Q2 2019	Q2 2018		6 months 2019	6 months 2018
673.02	754.98	Operating result Upstream	1,535.86	1,379.20
700.90	492.94	Operating result Downstream	1,153.94	854.64
660.61	590.20	thereof Downstream Oil	979.85	807.68
40.29	(97.26)	thereof Downstream Gas	174.09	46.96
(35.08)	(28.47)	Operating result Corporate and Other	(91.03)	(52.87)
1,338.84	1,219.45	Operating result segment total	2,598.77	2,180.97
(74.88)	(297.25)	Consolidation: Elimination of intersegmental profits	(154.38)	(268.46)
1,263.96	922.20	Operating result	2,444.39	1,912.51
28.17	(181.38)	Net financial result	55.15	(205.38)
1,292.13	740.82	Profit before tax	2,499.54	1,707.13

OMV PETROM S.A.
NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2019
(all amounts are expressed in million RON, unless otherwise specified)

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

Segment assets¹

	June 30, 2019	December 31, 2018
Upstream	22,849.01	22,430.21
Downstream	4,948.06	4,861.79
thereof Downstream Oil	3,807.44	3,780.22
thereof Downstream Gas	1,140.62	1,081.57
Corporate and Other	460.72	419.56
Total	28,257.79	27,711.56

¹ Segment assets consist of intangible assets and property, plant and equipment. Not including assets reclassified to held for sale. Since January 1, 2019 right-of-use assets based on the IFRS 16 implementation are also included.

10. 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, 2019, OMV Petrom S.A. had the following significant transactions with related parties and balances as of June 30, 2019:

Related party	Purchases 6 months 2019	Balances payable June 30, 2019
OMV Supply & Trading Limited	951.57	13.88
OMV Petrom Global Solutions S.R.L.	216.82	87.79
OMV Exploration & Production GmbH	30.67	37.30
OMV Refining & Marketing GmbH	26.62	21.75
OMV Aktiengesellschaft	19.55	27.52
Related party	Revenues 6 months 2019	Balances receivable June 30, 2019
OMV Petrom Marketing S.R.L.	4,509.08	939.09
OMV Petrom Gas S.R.L.	1,177.37	21.87

During the six month period ended June 30, 2018, OMV Petrom S.A. had the following significant transactions with related parties and balances as of December 31, 2018:

Related party	Purchases 6 months 2018	Balances payable December 31, 2018
OMV Supply & Trading Limited	196.81	141.37
OMV Petrom Global Solutions S.R.L.	190.80	97.64
OMV Refining & Marketing GmbH	91.86	33.39
OMV Petrom Gas S.R.L.	46.81	1.86

OMV PETROM S.A.
NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2019
(all amounts are expressed in million RON, unless otherwise specified)

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

Related party	Revenues 6 months 2018	Balances receivable December 31, 2018
OMV Petrom Marketing S.R.L.	4,443.28	1,132.21
OMV Petrom Gas S.R.L.	1,462.03	386.50

In Q2 2019, part of natural gas supply business of OMV Petrom Gas S.R.L., a subsidiary of OMV Petrom S.A., was transferred to OMV Petrom S.A. in order to better react to market opportunities and needs.

11. Subsequent events

There are no significant events subsequent to the reporting date.

These interim condensed separate financial statements and accompanying notes, from page 1 to page 13, were approved on July 31st 2019.

Directors' Report

on OMV PETROM S.A.'s interim condensed separate Financial Statements prepared in accordance with Ministry of Finance Order no. 2844/2016 and in compliance with the Regulation no. 5/2018, Appendix 14, 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, sale of petroleum products, as well as production and sales of electricity. OMV Petrom unfolds its activity either directly or through its affiliates in Romania, Kazakhstan (only exploration and production of hydrocarbons) and Bulgaria, Serbia and Republic of Moldova (only sale of petroleum products).

The Company is the parent company of OMV Petrom Group ("the Group"). Interim condensed separate financial statements for the period ended June 30, 2019 are prepared in accordance with International Financial Reporting Standards (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 interim condensed consolidated financial statements are also prepared by the Company in accordance with IFRS as endorsed by the EU.

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

As at June 30, 2019 and December 31, 2018 the total share capital amounted to RON 5,664,410,833.50, representing 56,644,108,335 shares (December 31, 2018: same number) with a nominal value of RON 0.1 per share.

The shareholders' structure as at June 30, 2019 is presented below:

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

The interim condensed separate financial statements for the six-month period ended June 30, 2019 are unaudited and an external limited review by an auditor was not performed.

Financial highlights

Q2/19	Q2/18	Δ%	in RON mn	6m/19	6m/18	Δ%
4,343	3,947	10	Sales ¹	8,619	7,890	9
1,264	922	37	Operating Result	2,444	1,913	28
673	755	(11)	Operating Result Upstream ²	1,536	1,379	11
701	493	42	Operating Result Downstream	1,154	855	35
(35)	(28)	(23)	Operating Result Co&O	(91)	(53)	(72)
(75)	(297)	75	Consolidation	(154)	(268)	42
28	(181)	n.m.	Net financial result	55	(205)	n.m.
1,292	741	74	Profit before tax	2,500	1,707	46
10	16	(35)	Effective tax rate (%)	11	16	(28)
1,161	625	86	Net income	2,221	1,442	54
(2,920)	(2,408)	(21)	Net debt/(cash)	(2,920)	(2,408)	(21)

¹ Sales excluding petroleum excise tax;

² Excluding intersegmental profit elimination shown in the line Consolidation.

Key events 6m/19

- ▶ Portfolio optimization: the transfer of nine marginal fields to Mazarine Energy Romania became effective on March 1, 2019, as part of the second divestment round, a step forward in simplifying our footprint.
- ▶ Polyfuel: the new unit in Petrobrazi refinery started production in March. The plant, an investment of approximately EUR 65 mn, represents the first of its kind for the OMV Group and employs state-of-the-art and environmentally friendly technology.
- ▶ At the Annual General Meeting of Shareholders held on April 19, 2019, the shareholders of OMV Petrom S.A. approved the distribution of dividends for the financial year 2018 for the gross amount of RON 1,529 million (gross dividend per share of RON 0.027). Payment of the dividends started on June 13, 2019. As of June 30, 2019 dividends in the amount of RON 1,514 mn were paid.
- ▶ The Annual General Meeting of Shareholders approved the 2019 Income and Expenditure Budget of OMV Petrom S.A. with investments estimated at RON 4.17 bn.
- ▶ The Annual General Meeting of Shareholders reappointed Ernst & Young Assurance Service S.R.L. as the Company's financial auditor for 2019.
- ▶ Starting April 17, 2019, Alina-Gabriela Popa assumed the position of CFO and Executive Board Member of OMV Petrom.
- ▶ In Q2 2019, part of natural gas supply business of OMV Petrom Gas S.R.L., a subsidiary of OMV Petrom S.A., was transferred to OMV Petrom SA in order to better react to market opportunities and needs.

Analysis of performance

January to June 2019 (6m/19) vs. January to June 2018 (6m/18)

Sales revenues of RON 8,619 mn for 6m/19 increased by 9% compared to 6m/18, following positive evolution of prices and volumes for petroleum products and electricity, partially offset by decrease of natural gas volumes sold. Downstream Oil represented 73% of total sales revenues, Downstream Gas accounted for 26%, while Upstream was below 1% (sales in Upstream being largely intra-group sales rather than third-party sales).

The **Reported Operating Result** amounted to RON 2,444 mn, 28% above the 6m/18 level of RON 1,913 mn, as a result of higher sales, supported by the favorable market conditions, which more than offset the increased purchases, the latter mainly due to higher imported crude. In turn, the result for 6m/18 was negatively impacted by the Petrobrazil refinery turnaround.

The **net financial result** improved to RON 55 mn in 6m/19 from a loss of RON (205) mn in 6m/18, reflecting mainly the positive impact from the discounting of receivables, higher interest income on bank deposits and interest income in relation to clarification of a tax related topic recognised in Q1/19. In addition, the 6m/18 figure included also interest expenses in relation to the preliminary result of a fiscal review.

As a result, **profit before tax** for 6m/19 of RON 2,500 mn improved compared with the result for the similar period of the previous year of RON 1,707 mn.

Income tax amounted to RON (278) mn, while the **effective tax rate** was 11% in 6m/19 (6m/18: 16%).

Net income was RON 2,221 mn (6m/18: RON 1,442 mn).

Investments of RON 1,898 mn in 6m/19, were 8% lower than RON 2,059 mn in 6m/18, the latter being influenced by the investment in the Petrobrazil refinery turnaround, partially counterbalanced by the first-time application of IFRS 16 which resulted in recognizing RON 149 mn as right-of-use assets as of January 1, 2019.

Upstream investments in 6m/19 were RON 1,443 mn, compared to RON 1,450 mn in 6m/18 and represented 76% of total investments for 6m/19. Lower investments for Neptun development and lower offshore drilling activities were partly compensated by higher workover activities.

Downstream investments amounted to RON 394 mn (6m/18: RON 609 mn), thereof RON 297 mn in Downstream Oil (6m/18: RON 582 mn). In Downstream Oil, most investments were routed to the completion of a modern, closed blowdown system at the Coker unit in Petrobrazil refinery; the yoy decrease was a result of a high base effect, with 6m/18 investments mainly directed to the Petrobrazil refinery turnaround and tie-in projects. In Downstream Gas, 6m/19 investments were mainly in relation to the planned shutdown of the Brazil power plant.

Corporate and Other investments were RON 61 mn (6m/18: nil).

Due to the significant cash balance at June 30, 2019 OMV Petrom maintained a **net cash position** of RON 2,920 mn (December 31, 2018: RON 2,734 mn).

Summarized interim statement of financial position

in RON mn	June 30, 2019	December 31, 2018
Assets		
Non-current assets	34,077.09	33,542.51
Current assets (incl. Assets held for sale)	8,942.84	9,470.79
Total assets	43,019.93	43,013.30
Equity and liabilities		
Total equity	31,002.18	30,313.55
Non-current liabilities	7,214.02	6,688.98
Current liabilities (incl. Liab assoc with assets held for sale)	4,803.73	6,010.77
Total equity and liabilities	43,019.93	43,013.30

Compared to December 31, 2018, **non-current assets** increased by RON 535 mn, to RON 34,077 mn, mainly driven by the increase in intangible assets and property, plant and equipment, as the additions during the period exceeded depreciation and impairments.

The net reduction in **current assets (including assets held for sale)** was mainly due to decrease in cash and cash equivalents, following payment of dividends, and decrease in trade receivables, partially compensated by higher inventories.

Equity increased to RON 31,002 mn as of June 30, 2019 compared to RON 30,314 mn as of December 31, 2018, as a result of the net profit generated in the current period less dividend distribution for the fiscal year 2018. The equity ratio of 72% as of June 30, 2019 was slightly higher than the level as of December 31, 2018 (70%).

Total interest bearing debts decreased to RON 1,614 mn as of June 30, 2019 from RON 2,012 mn as of December 31, 2018, mainly triggered by decrease in cash pooling from OMV Petrom Marketing S.R.L., partially offset by the presentation of the lease liability under interest-bearing debts in amount of RON 310 mn as of June 30, 2019, following the implementation of IFRS 16 “Leases”. At December 31, 2018 finance lease liabilities of RON 155 mn were presented under “Other financial liabilities”.

The Company’s liabilities other than interest bearing debts decreased by RON 284 mn, predominantly as a consequence of lower **current liabilities (including liabilities associates with assets held for sale)**, mainly as a result of a decrease in trade payables in connection with investment projects.

Cash flow

Summarized cash-flow statement (in RON mn)	6m/19	6m/18	Δ%
Sources of funds	3,471	3,275	6
Cash flow from operating activities	3,523	3,139	12
Cash flow from investing activities	(1,632)	(1,937)	16
Free cash flow	1,891	1,202	57
Cash flow from financing activities	(2,260)	(1,380)	(64)
Effect of exchange rates on cash and cash equivalents	1	1	13
Net decrease in cash and cash equivalents	(368)	(177)	(108)
Cash and cash equivalents at beginning of period	4,901	3,780	30
Cash and cash equivalents at end of period	4,533	3,603	26
Free cash flow after dividends	377	81	366

January to June 2019 (6m/19) vs. January to June 2018 (6m/18)

In 6m/19, 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 received and income tax paid was RON 3,471 mn (6m/18: RON 3,275 mn). Changes in **net working capital** generated a cash inflow of RON 51 mn (6m/18: outflow of RON 135 mn). **Cash flow from operating activities** increased by RON 384 mn compared to 6m/18, reaching RON 3,523 mn, reflecting the higher operating result supported by the favorable market conditions.

In 6m/19, **cash flow from investing activities** resulted in an outflow of RON 1,632 mn (6m/18: RON 1,937 mn) mainly related to payments for investments in intangible assets and property, plant and equipment, largely in the Upstream segment.

Cash flow from financing activities reflected an outflow of funds amounting to RON 2,260 mn (6m/18: RON 1,380 mn), mainly arising from the payment of dividends of RON 1,514 mn and repayment of cash pooling from OMV Petrom Marketing S.R.L.

Free cash flow (defined as cash flow from operating activities less cash flow from investing activities) showed an inflow of funds of RON 1,891 mn (6m/18: RON 1,202 mn). **Free cash flow after dividends** resulted in a cash inflow of RON 377 mn (6m/18: RON 81 mn).

Risk management

The scope of OMV Petrom's business activity, both existing and planned, and the markets in which the company operates in naturally expose the company to significant commodity price, foreign exchange, operational and other risks. A detailed description of risks and risk management activities can be found in the 2018 Annual Report OMV Petrom SA according to FSA (pages 9-10).

According to the last OMV Petrom risk assessment exercise in February 2019, the main uncertainties which could impact the company's performance remain the commodity price risk, operational risks as well as political and regulatory risk.

Through the nature of its business of extracting, processing, transporting and selling hydrocarbons, OMV Petrom is inherently exposed to safety and environmental risks. Through its HSSE and risk management programs, OMV Petrom remains committed to be in line with industry standards.

In terms of regulatory risk, the company is in dialogue with the Romanian authorities on topics of relevance for the industry. In the latest months, we have seen a number of fiscal and regulatory initiatives put in discussion and/or implemented. This increases legislative volatility with influence on the overall business environment.

Also refer to the Outlook section of the Directors' report for more information on current risks.

Transactions with related parties

Please refer to the selected explanatory notes of the interim condensed separate financial statements on page 12 for disclosures on significant transactions with related parties.

Outlook for the full year 2019

For the full year 2019, OMV Petrom expects the average Brent oil price to be at USD 65/bbl (2018: USD 71/bbl).

Refining margins are expected to be around USD 5/bbl (2018: USD 6.28/bbl). Demand for oil products is expected to be above the 2018 level; demand for gas and power is expected to be broadly similar to 2018.

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

At the end of March 2019, the Government approved the Emergency Ordinance no. 19 to amend the Emergency Ordinance 114/2018 following consultation with market players. We consider Emergency Ordinance no. 19 a first step towards the return to a liberalized gas market.

On May 10, the methodology for the reference price for crude oil royalties was changed; the reference price is now linked to Brent quotations.

At Group level, in Upstream the production is expected to decline by around 5% yoy, excluding portfolio optimization, mainly due to natural decline and maintenance activities. We will continue to focus on the most profitable barrels; the divestment process for further fields is ongoing. We plan to drill around 100 new wells and sidetracks and to maintain a constant level of workovers yoy.

In Downstream Oil, the refinery utilization rate is expected at around 95%.

In Downstream Gas, OMV Petrom Group must supply the regulated market with 12.5 TWh of gas for the period May – December 2019 at a maximum price of RON 68/MWh; we estimate total gas sales volumes to be higher vs. 2018. The Brazi power plant must supply the regulated market with 1.14 TWh of power for the period March – December 2019 at the price of RON 259.58/MWh; we estimate total net electrical output to be lower vs. 2018.

With regard to our Neptun Deep project, the current legislative environment does not provide the necessary prerequisites for a multi-billion investment decision. We remain keen to see the Black Sea developed and we are in dialogue with the authorities to understand the way forward.

Regarding the partnership with Auchan of our fully owned subsidiary OMV Petrom Marketing SRL, contractual negotiations are in progress.

At Group level, we expect to generate a positive free cash flow after dividends.

A sustainable cost base supported by ongoing efficiency programs is even more crucial in the context of the current volatile regulatory environment.

Declaration of the management

We confirm to the best of our knowledge that the unaudited interim condensed separate financial statements for the six-month period ended June 30, 2019 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 important events that have occurred during the first six months of the 2019 financial year and their impact on the interim condensed separate financial statements, as well as a description of the principal risks and uncertainties.

Bucharest, July 31, 2019

The Executive Board



Christina Verchere
Chief Executive Officer
President of the Executive Board



Alina-Gabriela Popa
Chief Financial Officer
Member of the Executive Board



Peter Zeilinger
Member of the Executive Board
Upstream



Franck Neel
Member of the Executive Board
Downstream Gas



Radu Căprău
Member of the Executive Board
Downstream Oil

Further information

Abbreviation and definitions

bbl	barrel(s), i.e. 159 liters
bn	billion
Co&O	Corporate and Other
Effective tax rate	Taxes on income divided by Profit before tax (%)
EUR	euro
IFRSs; IASs	International Financial Reporting Standards; International Accounting Standards
Investments	Include amounts for fixed assets acquisitions, financial investments, advance payments on fixed assets, land deeds, right of use assets following IFRS 16 implementation and excludes increases from reassessment of provisions
mn	million
MWh	megawatt hour
Net debt/(cash)	Interest bearing-debts less cash and cash equivalents. Before January 1, 2019 Net debt/(cash) was calculated as interest bearing debts plus finance lease liabilities less cash and cash equivalents. Starting with January 1, 2019 lease liabilities are included in "Interest-bearing debts" lines.
n.m.	not meaningful i.e. deviation exceeds (+/-) 500% or comparison is made between positive and negative values
Operating Result	The "Operating result" includes the former indicator EBIT ("Earnings Before Interest and Taxes") and the net result from consolidated subsidiaries and equity-accounted investments.
Q	quarter
RON	Romanian leu
S.A.; S.R.L.	Societate pe Actiuni (Joint-stock company); Societate cu Raspundere Limitata (Limited liability company)
TWh	terawatt hour
USD	United States dollar
yoy	year-on-year