

Q3

Quarterly Report 2019



OMV Petrom S.A.

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OMV Petrom Group results¹ for January - September and Q3 2019 including unaudited interim condensed consolidated financial statements as of and for the period ended September 30, 2019

Highlights Q3/19²

Group

- ▶ Clean CCS Operating Result at RON 1.2 bn, 27% lower
- ▶ Clean CCS net income attributable to stockholders at RON 1.0 bn, down 26%
- ▶ Cash flow from operating activities at RON 2.1 bn, 12% lower
- ▶ CAPEX at RON 1.1 bn, up 8%
- ▶ Clean CCS ROACE at 14.7%, 3 pp higher

Upstream

- ▶ Clean Operating Result at RON 546 mn, down 43%, mainly driven by lower oil prices and hydrocarbon volumes
- ▶ Production decreased by 6.2%, mostly due to natural decline and the transfer of marginal fields
- ▶ OPEX at USD 10.45/boe, stable

Downstream Oil

- ▶ Clean CCS Operating Result at RON 580 mn, 7% higher, capturing increased demand for refined products and excellent operational performance
- ▶ OMV Petrom indicator refining margin at USD 6.46/bbl, down 2%
- ▶ Refinery utilization rate at 99%; retail volumes up 4%

Downstream Gas

- ▶ Clean Operating Result at RON 57 mn, down 40% (Q3/18 included Brazi power plant insurance revenues)
- ▶ Gas sales volumes up 37% yoy, built on third-party supply; net electrical output at 1.00 TWh, stable
- ▶ OMV Petrom supplies the gas and power regulated markets; 4.47 TWh of gas were delivered in Q3/19 to the households and district heating for households suppliers and 0.48 TWh to the power regulated market suppliers, as per the set allocations

¹ The financials are unaudited and represent OMV Petrom Group's (herein after also referred to as "the Group") consolidated results prepared according to IFRS; all the figures refer to OMV Petrom Group, unless otherwise stated; financials are expressed in RON mn and rounded to the closest integer value, so minor differences may result upon reconciliation; OMV Petrom uses the National Bank of Romania exchange rates for its consolidation process. Unless specified differently, amounts related to Downstream represent totals of Downstream Oil and Downstream Gas.

² All comparisons described relate to the same quarter in the previous year except where mentioned otherwise.

Directors' report (condensed, unaudited)

Financial highlights

Q3/19	Q2/19	Q3/18	Δ% ¹	in RON mn	9m/19	9m/18	Δ%
6,869	5,900	6,260	10	Sales ²	18,189	16,111	13
1,228	998	1,685	(27)	Clean CCS Operating Result ³	3,452	3,378	2
546	774	965	(43)	Clean Operating Result Upstream ^{3, 4}	2,144	2,430	(12)
637	322	639	(0)	Clean CCS Operating Result Downstream ³	1,337	1,181	13
(21)	(22)	(18)	(20)	Clean Operating Result Co&O ³	(59)	(57)	(3)
66	(76)	98	(32)	Consolidation	30	(175)	n.m.
16	18	16	(4)	Clean Group effective tax rate (%)	16	18	(8)
1,024	845	1,383	(26)	Clean CCS net income ^{3, 7}	2,926	2,597	13
1,024	845	1,382	(26)	Clean CCS net income attributable to stockholders ^{3, 6, 7}	2,926	2,597	13
0.0181	0.0149	0.0244	(26)	Clean CCS EPS (RON) ^{3, 6, 7}	0.0517	0.0458	13
1,228	998	1,685	(27)	Clean CCS Operating Result ³	3,452	3,378	2
(246)	(59)	(63)	(290)	Special items ⁵	(281)	(183)	(54)
(44)	30	59	n.m.	CCS effects: Inventory holding gains/(losses)	25	267	(91)
939	969	1,681	(44)	Operating Result Group	3,196	3,462	(8)
512	707	951	(46)	Operating Result Upstream ⁴	2,093	2,396	(13)
383	358	651	(41)	Operating Result Downstream	1,309	1,312	(0)
(28)	(26)	(19)	(49)	Operating Result Co&O	(118)	(69)	(72)
72	(71)	98	(27)	Consolidation	(88)	(178)	51
(13)	29	(30)	58	Net financial result	40	(228)	n.m.
926	998	1,650	(44)	Profit before tax	3,236	3,234	0
15	17	16	(8)	Group effective tax rate (%)	15	18	(16)
785	823	1,379	(43)	Net income	2,760	2,667	3
785	823	1,379	(43)	Net income attributable to stockholders ⁶	2,760	2,667	3
0.0139	0.0145	0.0243	(43)	EPS (RON) ⁶	0.0487	0.0471	3
2,094	1,429	2,376	(12)	Cash flow from operating activities	5,027	5,561	(10)
1,383	(1,053)	1,217	14	Free cash flow after dividends	996	1,310	(24)
(5,394)	(4,160)	(4,205)	(28)	Net debt/(cash)	(5,394)	(4,205)	(28)
1,079	887	998	8	Capital expenditure	2,793	3,100	(10)
14.7	16.4	11.8	25	Clean CCS ROACE (%) ^{3, 7}	14.7	11.8	25
15.1	17.7	12.9	18	ROACE (%)	15.1	12.9	18
12,611	12,767	13,249	(5)	OMV Petrom Group employees end of period	12,611	13,249	(5)

¹ Q3/19 vs. Q3/18

² Sales excluding petroleum excise tax;

³ Adjusted for special items; Clean CCS (current cost of supply) figures exclude special items and inventory holding effects (CCS effects) resulting from Downstream Oil; special items include temporary effects from commodity hedging (in order to mitigate Income Statement volatility);

⁴ Excluding intersegmental profit elimination shown in the line "Consolidation";

⁵ Special items, representing exceptional, non-recurring items, are added back or deducted from the Operating Result; for more details please refer to each specific segment;

⁶ After deducting net result attributable to non-controlling interests;

⁷ Excludes additional special income related to field divestments reflected in the financial result.

Group performance

Third quarter 2019 (Q3/19) vs. third quarter 2018 (Q3/18)

Consolidated sales increased by 10% compared to Q3/18, supported by higher sales volumes for petroleum products, higher sales volumes and prices for natural gas, and higher prices for electricity. In contrast, lower selling prices for petroleum products partially offset the aforementioned increases. Downstream Oil represented 74% of total consolidated sales, while Downstream Gas accounted for 24% and Upstream for 2% (sales in Upstream being largely intra-group sales rather than third-party sales).

The **Clean CCS Operating Result** of RON 1,228 mn in Q3/19 was lower by 27% compared with Q3/18, reflecting the unfavorable oil price environment. The **Clean Group effective tax rate** was 16% (Q3/18:16%). **Clean CCS net income attributable to stockholders** was RON 1,024 mn (Q3/18: RON 1,382 mn).

Special items comprised net charges of RON (246) mn, mainly consisting of future estimated soil remediation costs in relation to Arpechim refinery, while **inventory holding losses** amounted to RON (44) mn in Q3/19. In Q3/18, we recorded net special charges of RON (63) mn and inventory holding gains of RON 59 mn.

The **Reported Operating Result** of Q3/19 amounted to RON 939 mn, lower by 44% versus Q3/18, influenced mainly by unfavorable oil prices and the costs estimated for future soil remediation in relation to Arpechim refinery.

The **net financial result** improved from a loss of RON (30) mn in Q3/18 to a loss of RON (13) mn in Q3/19 mainly due to lower interest expenses in relation to the discounting of receivables.

As a result, **profit before tax** for Q3/19 amounted to RON 926 mn, 44% lower than the Q3/18 value of RON 1,650 mn.

Income tax amounted to RON (140) mn, while the **effective tax rate** was 15% in Q3/19 (Q3/18: 16%).

Net income attributable to stockholders of the parent was RON 785 mn (Q3/18: RON 1,379 mn).

Cash flow from operating activities decreased to RON 2,094 mn as compared with RON 2,376 mn in Q3/18, mainly driven by the lower operating result. **Free cash flow after dividends** resulted in a cash inflow of RON 1,383 mn (Q3/18: RON 1,217 mn).

Capital expenditure in Q3/19 amounted to RON 1,079 mn, 8% higher than the Q3/18 figure of RON 998 mn. Upstream investments in Q3/19 amounted to RON 940 mn, compared to RON 796 mn in Q3/18. Downstream investments amounted to RON 117 mn (Q3/18: RON 201 mn). Corporate and Other investments were RON 22 mn (Q3/18: nil).

Due to the significant cash balance at September 30, 2019, OMV Petrom Group maintained a **net cash** position of RON 5,394 mn (December 31, 2018: RON 4,891 mn).

Special items and CCS effect

Q3/19	Q2/19	Q3/18	Δ% ¹	Special items and CCS effect (in RON mn)	9m/19	9m/18	Δ%
1,228	998	1,685	(27)	Clean CCS Operating Result	3,452	3,378	2
(246)	(59)	(63)	(290)	Special items	(281)	(183)	(54)
(40)	(10)	(8)	(412)	thereof personnel and restructuring	(52)	(46)	(12)
-	-	-	n.a.	thereof unscheduled depreciation	-	-	n.a.
(206)	(49)	(55)	(272)	thereof other	(229)	(136)	(68)
(44)	30	59	n.m.	CCS effect: Inventory holding gains/(losses)	25	267	(91)
939	969	1,681	(44)	Operating Result Group	3,196	3,462	(8)

¹ Q3/19 vs. Q3/18

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

Furthermore, to enable effective performance management in an environment of volatile prices and comparability with peers, the **Current Cost of Supply (CCS)** effect is eliminated from the accounting result. The CCS effect, also called inventory holding gains or losses, represents the difference between the cost of sales calculated using the current cost of supply and the cost of sales calculated using the weighted average method after adjusting for any changes in valuation allowances, in case the net realizable value of the inventory is lower than its cost. In volatile energy markets, measurement of the costs of petroleum products sold based on historical values (e.g.

weighted average cost) can have a distorting effect on the reported results. This performance measurement enhances the transparency of the results and is commonly used in the oil industry. OMV Petrom, therefore, published this measurement in addition to the Operating Result determined according to IFRS.

Summarized interim consolidated statement of financial position (unaudited)

in RON mn	September 30, 2019	December 31, 2018
Assets		
Non-current assets	35,163.17	33,548.66
Current assets (incl. Assets held for sale)	11,136.58	10,235.48
Total assets	46,299.75	43,784.14
Equity and liabilities		
Total equity	32,619.15	31,368.10
Non-current liabilities	8,563.52	6,867.43
Current liabilities (incl. Liab assoc with assets held for sale)	5,117.08	5,548.61
Total equity and liabilities	46,299.75	43,784.14

Compared to December 31, 2018, **non-current assets** increased by RON 1,615 mn, to RON 35,163 mn, mainly driven by the increase in intangible assets and property, plant and equipment, as the additions during the period, which also included the impact from reassessment of decommissioning asset and IFRS 16 Leases implementation, exceeded depreciation and impairments.

The net increase in **current assets (including assets held for sale)** was mainly due to higher cash and cash equivalents, higher inventories, and an increase in trade receivables following seasonally higher sales in Downstream Oil.

Equity increased to RON 32,619 mn as of September 30, 2019, compared to RON 31,368 mn as of December 31, 2018, as a result of the net profit generated in the current period that was partially offset by the dividend distribution for the financial year 2018. The Group's equity ratio stood at 70% as of September 30, 2019, slightly lower than the level of 72% as of December 31, 2018.

As at September 30, 2019, **total liabilities** increased by RON 1,265 mn compared to the December 31, 2018 value, out of which RON 399 mn related to total interest-bearing debts.

Total interest-bearing debts increased to RON 948 mn as of September 30, 2019, from RON 549 mn as of December 31, 2018, mainly following the implementation of IFRS 16 Leases and the presentation of the lease liability under interest-bearing debts to the amount of RON 592 mn. At December 31, 2018, finance lease liabilities of RON 169 mn were presented under "Other financial liabilities".

The Group's liabilities other than interest-bearing debts increased by RON 866 mn, as a consequence of an increase in **non-current liabilities** mainly due to the reassessment of provisions for decommissioning and restoration obligations and the set-up in Q3/19 of a provision for soil remediation in relation to the Arpechim refinery site. The increase in non-current liabilities was partly offset by lower **current liabilities (including liabilities associated with assets held for sale)**, mainly as a result of a decrease in payables in connection with investment projects and the closing of the transfer for nine marginal fields.

Cash flow

Q3/19	Q2/19	Q3/18	Δ% ¹	Summarized cash-flow statement (in RON mn)	9m/19	9m/18	Δ%
1,856	1,679	2,244	(17)	Sources of funds	5,228	5,482	(5)
2,094	1,429	2,376	(12)	Cash flow from operating activities	5,027	5,561	(10)
(710)	(967)	(1,159)	39	Cash flow from investing activities	(2,516)	(3,129)	20
1,383	461	1,218	14	Free cash flow	2,511	2,432	3
(34)	(1,548)	(64)	47	Cash flow from financing activities	(1,780)	(1,461)	(22)
1	(1)	0	n.m.	Effect of exchange rates on cash and cash equivalents	2	1	118
1,350	(1,087)	1,153	17	Net increase / (decrease) in cash and cash equivalents	732	972	(25)
4,992	6,079	3,797	31	Cash and cash equivalents beginning of period	5,609	3,979	41
6,342	4,992	4,951	28	Cash and cash equivalents end of period	6,342	4,951	28
1,383	(1,053)	1,217	14	Free cash flow after dividends	996	1,310	(24)

¹ Q3/19 vs. Q3/18

Third quarter 2019 (Q3/19) vs. third quarter 2018 (Q3/18)

In Q3/19, 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 1,856 mn (Q3/18: RON 2,244 mn). Changes in **net working capital** generated a cash inflow of RON 238 mn (Q3/18: RON 133 mn). **Cash flow from operating activities** decreased by RON 283 mn compared to Q3/18, reaching RON 2,094 mn.

In Q3/19, **cash flow from investing activities** resulted in an outflow of RON 710 mn (Q3/18: RON 1,159 mn) mainly related to payments for investments in intangible assets and property, plant and equipment, largely in the Upstream segment, offset to some extent by the partial collection of receivable in relation to the government grant for Brazi power plant investment.

Free cash flow (defined as cash flow from operating activities less cash flow from investing activities) showed an inflow of funds of RON 1,383 mn (Q3/18: RON 1,218 mn).

Cash flow from financing activities reflects an outflow of funds amounting to RON 34 mn (Q3/18: RON 64 mn), mainly arising from the repayment of the tranche due in relation to a loan from the European Investment Bank.

Free cash flow after dividends resulted in a cash inflow of RON 1,383 mn (Q3/18: RON 1,217 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 (pages 42-44).

According to the last OMV Petrom Group 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 last few years, 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 consolidated financial statements on page 29 for disclosures on significant transactions with related parties.

Outlook for the full year 2019

Market environment

- ▶ 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.

Taxation and regulatory environment

- ▶ A stable, predictable, and investment-friendly fiscal and regulatory framework is a key requirement for our future investments, both onshore and offshore;
- ▶ The Romanian authorities are considering changing key oil and gas legislation (a new draft Offshore Law, amendments of GEO 114/2018 and GEO 19/2019, potential for a faster return to a liberalized gas market). We see the reopening of the dialogue on such fundamental topics for Romania as an important step forward;
- ▶ A NAMR order, which provides a royalty reference price of RON 68/MWh for the gas quantities from internal production for sale on the regulated market, entered into force on August 1.

OMV Petrom Group

- ▶ We expect to generate a **positive free cash flow after dividends**;
- ▶ **CAPEX** (including capitalized exploration and appraisal) is currently anticipated to be around RON 4.0 bn; of this amount about 75% is to be routed to Upstream;
- ▶ **Neptun Deep**: OMV Petrom welcomes the Romanian authorities' recent initiatives to improve the current fiscal and regulatory environment for offshore gas projects. We remain keen to see the Neptun Deep strategic project being developed;
- ▶ **Partnership with Auchan**: contractual negotiations are in progress;
- ▶ A **sustainable cost base** supported by ongoing efficiency programs is crucial in the context of the current market volatility and challenging regulatory environment.

Upstream

- ▶ **Production**: is expected to decline by around 5% yoy, excluding portfolio optimization, mainly due to natural decline and maintenance activities;
- ▶ **Portfolio optimization**: continue to focus on the most profitable barrels; divestment process for further fields ongoing;
- ▶ **Investments**: we plan to drill around 100 new wells and sidetracks and to maintain a constant level of workovers yoy;
- ▶ **Exploration**: exploration expenditures are estimated to be around RON 0.4 bn; in exploration block VIII-Urziceni East a large 3D seismic survey is being acquired together with Hunt Oil Company of Romania S.R.L. as operator.

Downstream

- ▶ **The refinery utilization** rate is expected to be above 95% (revised from around 95%);
- ▶ OMV Petrom Group has an allocation to supply the regulated **gas** market with 12.7 TWh (revised up from 12.5 TWh in the previous ANRE decision) for the period May-December 2019 at the maximum price of RON 68/MWh; we estimate total gas sales volumes to be higher vs. 2018;
- ▶ Also, the Brazi power plant has an allocation to supply the regulated **power** market with 1.14 TWh 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.

Business segments

Upstream

Q3/19	Q2/19	Q3/18	Δ% ¹	in RON mn	9m/19	9m/18	Δ%
1,235	1,456	1,581	(22)	Clean Operating Result before depreciation and amortization, impairments and write-ups ²	4,065	4,266	(5)
546	774	965	(43)	Clean Operating Result ²	2,144	2,430	(12)
(34)	(67)	(14)	(137)	Special items	(51)	(34)	(52)
512	707	951	(46)	Operating Result ²	2,093	2,396	(13)
940	683	796	18	Capital expenditure ³	2,273	2,237	2
91	138	129	(29)	Exploration expenditures	321	313	3
94	75	9	n.m.	Exploration expenses	188	94	101
10.45	11.20	10.41	0	OPEX (USD/boe)	11.10	11.32	(2)

Q3/19	Q2/19	Q3/18	Δ% ¹	Key performance indicators	9m/19	9m/18	Δ%
13.83	13.77	14.74	(6)	Total hydrocarbon production (mn boe)	41.39	43.91	(6)
150	151	160	(6)	Total hydrocarbon production (kboe/d)	152	161	(6)
6.52	6.55	6.77	(4)	Crude oil and NGL production (mn bbl)	19.48	20.13	(3)
1.12	1.11	1.22	(8)	Natural gas production (bcm)	3.35	3.64	(8)
39.48	39.06	43.04	(8)	Natural gas production (bcf)	118.43	128.58	(8)
13.1	13.0	13.7	(5)	Total hydrocarbon sales volume (mn boe)	38.9	41.0	(5)
61.95	68.82	74.16	(16)	Average Urals price (USD/bbl)	64.66	70.70	(9)
53.99	60.26	66.35	(19)	Average Group realized crude price (USD/bbl)	56.64	62.83	(10)

¹ Q3/19 vs. Q3/18

² Excluding intersegmental profit elimination;

³ Including capitalized exploration and appraisal.

Third quarter 2019 (Q3/19) vs. third quarter 2018 (Q3/18)

- ▶ **Clean Operating Result down 43%, mainly driven by lower oil prices and hydrocarbon volumes**
- ▶ **Production decreased by 6.2%, mostly due to natural decline and the transfer of marginal fields**
- ▶ **OPEX in USD/boe was stable**

The **Clean Operating Result** decreased by 43% to RON 546 mn mainly driven by lower oil prices, lower hydrocarbon volumes and higher exploration expenses. These were partly compensated by favorable FX effects (USD 6% stronger against RON) and higher gas prices.

In Q3/19, **special items** amounted to RON (34) mn, mainly reflecting personnel restructuring costs. The **Reported Operating Result** declined by 46% to RON 512 mn.

Group **production costs** (OPEX) in USD/boe were stable compared to the Q3/18 level mainly due to favorable FX effects that offset lower production available for sale. In Romania, production costs in USD improved by 1% to USD 10.43/boe, while in RON terms they increased by 5% to RON 44.42/boe.

Group hydrocarbon production decreased by 6.2% mainly due to lower production in Romania.

In **Romania**, hydrocarbon production was 13.2 mn boe or 143.6 kboe/d (Q3/18: 14.1 mn boe or 153.3 kboe/d). Crude oil and NGL production in Romania declined by 3.7% to 6.0 mn bbl mainly due to natural decline and the transfer of nine marginal fields to Mazarine Energy Romania in March 2019. Gas production in Romania decreased by 8.4% to 7.22 mn boe due to natural decline in the main fields (Totea Deep and Lebada East) and the impact of maintenance activities.

In **Kazakhstan**, hydrocarbon production decreased by 3.5% to 0.61 mn boe mainly following a pause in well interventions and workover activities in 2018.

Group hydrocarbon sales volumes decreased by 5% due to the production decrease, partly compensated by lower own consumption.

Exploration expenditures decreased to RON 91 mn mainly due to less drilling of exploration wells.

Exploration expenses increased to RON 94 mn due to partial write-off of an exploration well.

Capital expenditure including capitalized E&A increased by 18% mainly due to recognition of assets under IFRS 16 Leases for a long-term contract and the start of an offshore drilling campaign, partially offset by lower exploration drilling.

In 9m/19, we finalized the drilling of 65 new wells and sidetracks, including one exploration well.

Downstream

Q3/19	Q2/19	Q3/18	Δ% ¹	in RON mn	9m/19	9m/18	Δ%
858	528	826	4	Clean CCS Operating Result before depreciation and amortization, impairments and write-ups ²	1,958	1,747	12
637	322	639	(0)	Clean CCS Operating Result ²	1,337	1,181	13
580	339	544	7	thereof Downstream Oil	1,140	981	16
57	(18)	95	(40)	thereof Downstream Gas	197	200	(1)
(205)	12	(48)	(329)	Special items	(171)	(138)	(24)
(49)	25	59	n.m.	CCS effect: Inventory holding gains/(losses) ²	143	269	(47)
383	358	651	(41)	Operating Result	1,309	1,312	0
117	188	201	(42)	Capital expenditure	473	862	(45)

Q3/19	Q2/19	Q3/18	Δ% ¹	Key performance indicators Downstream Oil	9m/19	9m/18	Δ%
6.46	3.85	6.62	(2)	Indicator refining margin (USD/bbl) ³	4.67	6.63	(30)
1.23	1.14	1.20	3	Refining input (mn t) ⁴	3.52	2.89	22
99	94	98	1	Refinery utilization rate (%)	96	81	19
1.49	1.39	1.39	7	Total refined product sales (mn t)	4.05	3.64	11
0.81	0.71	0.78	4	thereof retail sales volumes (mn t) ⁵	2.13	2.05	4
				Key performance indicators Downstream Gas			
13.37	9.39	9.74	37	Gas sales volumes (TWh)	35.00	34.44	2
11.22	9.11	7.54	49	thereof to third parties (TWh)	30.13	29.18	3
4.47	2.94	-	n.m.	thereof to the regulated market (TWh)	7.41	-	n.m.
1.00	0.05	1.04	(3)	Net electrical output (TWh)	2.13	2.35	(9)
278	197	233	19	OPCOM spot average electricity base load price (RON/MWh)	243	191	27

¹ Q3/19 vs. Q3/18;

² Current cost of supply (CCS): the Clean CCS Operating Result eliminates special items and inventory holding gains/losses (CCS effects) resulting from Downstream Oil;

³ The actual refining margins realized by OMV Petrom may vary from the indicator refining margin due to different crude slate, product yield and operating conditions;

⁴ Figures include crude and semi-finished products, in line with the OMV Group reporting standard;

⁵ Retail sales volumes refer to sales via the OMV Petrom Group's filling stations in Romania, Bulgaria, Serbia and Moldova.

Third quarter 2019 (Q3/19) vs. third quarter 2018 (Q3/18)

- ▶ **Downstream Oil: Clean CCS Operating Result at RON 580 mn, 7% higher, capturing increased demand for refined products and excellent operational performance; retail sales volumes up by 4%**
- ▶ **Downstream Gas: Good Operating Result on higher gas sales volumes; lower power business performance**

The **Clean CCS Operating Result** was stable at RON 637 mn in Q3/19 (Q3/18: RON 639 mn), reflecting an improvement of the Downstream Oil result and weaker result of the Downstream Gas segment. The **Reported Operating Result** of RON 383 mn reflected a **special loss** of RON (205) mn (mainly consisting of future estimated soil remediation costs in relation to Arpechim refinery) and negative **CCS effects** of RON (49) mn (due to declining quotations).

In Q3/19, the **Downstream Oil Clean CCS Operating Result** increased to RON 580 mn (Q3/18: RON 544 mn), supported by excellent operational performance in a refining margin environment similarly supportive to the one in Q3/18, and in the context of increased demand for refined products.

The **OMV Petrom indicator refining margin** decreased slightly, by USD 0.16/bbl, to USD 6.46/bbl in Q3/19, as a result of lower product spreads, mainly for gasoline, partially compensated by the lower cost of crude consumed. The **refinery utilization rate** was 99% in Q3/19 (Q3/18: 98%).

Total **refined product sales** volumes were higher by 7% vs. Q3/18, reflecting the increased demand in retail and captured market opportunities in the non-retail sales channel. Group retail sales volumes, which accounted for 54% of total refined product sales, increased by 4% compared to Q3/18 as a result of higher demand, particularly in Romania. The retail result was also supported by a higher non-oil business contribution. Q3/19 non-retail sales volumes increased by 12% yoy, due to seized regional opportunities.

The **Downstream Gas Clean Operating Result** was RON 57 mn in Q3/19, driven by higher gas sales volumes, which compensated the lower power performance; for comparison, the Q3/18 result was RON 95 mn, including the booking of RON 47 mn insurance revenues related to the Brazi power plant.

As per OMV Petrom's estimates, national **gas** consumption decreased by almost 3% compared to the same quarter of last year. On the Romanian centralized markets, the weighted average price of natural gas for transactions closed in Q3/19 (39.4 TWh) for various standard products was RON 112/MWh^{3,4}.

In Q3/19, OMV Petrom's total gas sales volumes increased by 37% yoy to 13.37 TWh and the gas sales volumes sold to third parties were 49% higher vs. Q3/18; enabled by third-party supply, OMV Petrom managed to maintain its customer portfolio in the context of the regulated market allocation and centralized market obligation. At the end of Q3/19, OMV Petrom had 4.3 TWh in underground storage, compared to 3.5 TWh at the end of Q3/18.

OMV Petrom supplied the gas regulated market, delivering 4.47 TWh to the households and district heating for households suppliers in Q3/19, as per the set allocation. In addition, on the centralized markets, OMV Petrom sold 12.3 TWh in standard products in Q3/19 at an average price in line with the market price⁴.

As per currently available information from the grid operator, national **electricity** consumption remained stable compared to the same quarter of 2018, while national production decreased by 14%, mainly driven by the lower contribution from hydro power plants, thus Romania switching to a net power importer position in Q3/19.

The Brazi power plant generated a net electrical output comparable to the one in Q3/18 (Q3/19: 1.00 TWh, Q3/18: 1.04 TWh) on similarly strong spark spreads; out of the Q3/19 output, 0.48 TWh were supplied to the regulated power market at the price of RON 259.58/MWh.

Total **Downstream investments** amounted to RON 117 mn (Q3/18: RON 201 mn), almost all amounts spent in the Downstream Oil segment in both Q3/19 and Q3/18. The Q3/19 investments were directed to ongoing projects (such as the upgrade of unloading and storage facilities for bio-blending components at Petrobrazi refinery), while Q3/18 investments were related to major projects towards finalization (Polyfuel unit, Arad storage revamp).

³ OMV Petrom estimates based on available public information

⁴ Standard products refers to all products offered on the BRM and OPCOM trading platforms i.e. weekly products, monthly products, quarterly products, gas-year products etc. and the price could include storage related tariffs in connection with the gas volumes sold/extracted from storage

Group interim condensed consolidated financial statements as of and for the period ended September 30, 2019 (unaudited)

Interim consolidated income statement (unaudited)

Q3/19	Q2/19	Q3/18	in RON mn	9m/19	9m/18
6,869.37	5,899.67	6,259.87	Sales revenues	18,189.11	16,110.61
33.80	25.72	74.40	Other operating income	227.28	156.50
2.58	1.11	3.33	Net income from equity-accounted investments	4.15	9.13
6,905.75	5,926.50	6,337.60	Total revenues and other income	18,420.54	16,276.24
(3,107.52)	(2,331.78)	(2,243.88)	Purchases (net of inventory variation)	(7,317.77)	(5,523.35)
(1,017.37)	(797.13)	(741.24)	Production and operating expenses	(2,608.77)	(2,370.61)
(262.72)	(270.34)	(300.54)	Production and similar taxes	(853.98)	(881.57)
(846.04)	(848.42)	(812.18)	Depreciation, amortization and impairment charges	(2,452.22)	(2,355.42)
(555.03)	(550.05)	(499.63)	Selling, distribution and administrative expenses	(1,624.75)	(1,450.97)
(94.50)	(74.84)	(9.07)	Exploration expenses	(188.18)	(93.63)
(83.88)	(84.90)	(50.26)	Other operating expenses	(178.68)	(138.64)
938.69	969.04	1,680.80	Operating Result	3,196.19	3,462.05
46.25	104.99	54.05	Interest income	247.66	117.64
(69.00)	(68.27)	(80.89)	Interest expenses	(209.19)	(336.39)
9.86	(8.21)	(3.53)	Other financial income and expenses	1.22	(9.54)
(12.89)	28.51	(30.37)	Net financial result	39.69	(228.29)
925.80	997.55	1,650.43	Profit before tax	3,235.88	3,233.76
(140.49)	(174.19)	(271.02)	Taxes on income	(476.03)	(566.61)
785.31	823.36	1,379.41	Net income for the period	2,759.85	2,667.15
785.27	823.34	1,379.06	thereof attributable to stockholders of the parent	2,759.78	2,667.47
0.04	0.02	0.35	thereof attributable to non-controlling interests	0.07	(0.32)
0.0139	0.0145	0.0243	Basic earnings per share (RON)	0.0487	0.0471

Interim consolidated statement of comprehensive income (unaudited)

Q3/19	Q2/19	Q3/18	in RON mn	9m/19	9m/18
785.31	823.36	1,379.41	Net income for the period	2,759.85	2,667.15
12.69	(8.80)	(0.56)	Exchange differences from translation of foreign operations	25.66	2.15
(1.11)	(1.33)	-	Gains/(losses) on hedges	(4.96)	-
11.58	(10.13)	(0.56)	Total of items that may be reclassified ("recycled") subsequently to the income statement	20.70	2.15
-	-	-	Re-measurement gains on defined benefit plans	-	-
-	-	-	Total of items that will not be reclassified("recycled") subsequently to the income statement	-	-
(0.29)	0.43	(0.94)	Income tax relating to items that may be reclassified ("recycled") subsequently to the income statement	(0.05)	(6.95)
-	-	-	Income tax relating to items that will not be reclassified ("recycled") subsequently to the income statement	-	-
(0.29)	0.43	(0.94)	Total income taxes relating to components of other comprehensive income	(0.05)	(6.95)
11.29	(9.70)	(1.50)	Other comprehensive income/(loss) for the period, net of tax	20.65	(4.80)
796.60	813.66	1,377.91	Total comprehensive income for the period	2,780.50	2,662.35
796.56	813.64	1,377.88	thereof attributable to stockholders of the parent	2,780.42	2,664.39
0.04	0.02	0.03	thereof attributable to non-controlling interests	0.08	(2.04)

Interim consolidated statement of financial position (unaudited)

in RON mn	September 30, 2019	December 31, 2018
Assets		
Intangible assets	3,211.08	3,058.95
Property, plant and equipment	27,953.79	26,749.09
Investments in associated companies	24.07	58.29
Other financial assets	2,286.81	2,165.22
Other assets	228.26	84.11
Deferred tax assets	1,459.16	1,433.00
Non-current assets	35,163.17	33,548.66
Inventories	2,396.62	2,151.54
Trade receivables	1,854.65	1,674.23
Other financial assets	147.58	195.19
Other assets	394.87	476.14
Cash and cash equivalents	6,341.81	5,609.43
Current assets	11,135.53	10,106.53
Assets held for sale	1.05	128.95
Total assets	46,299.75	43,784.14
Equity and liabilities		
Share capital	5,664.41	5,664.41
Reserves	26,954.25	25,703.21
Stockholders' equity	32,618.66	31,367.62
Non-controlling interests	0.49	0.48
Total equity	32,619.15	31,368.10
Provisions for pensions and similar obligations	211.70	211.38
Interest-bearing debts	688.77	281.87
Provisions for decommissioning and restoration obligations	6,984.66	5,992.95
Other provisions	542.65	190.27
Other financial liabilities	102.34	155.63
Other liabilities	14.13	14.84
Deferred tax liabilities	19.27	20.49
Non-current liabilities	8,563.52	6,867.43
Trade payables	2,870.24	3,049.66
Interest-bearing debts	258.81	267.43
Income tax liabilities	191.46	228.47
Other provisions and decommissioning	685.20	690.29
Other financial liabilities	321.75	388.34
Other liabilities	789.62	821.36
Current liabilities	5,117.08	5,445.55
Liabilities associated with assets held for sale	-	103.06
Total equity and liabilities	46,299.75	43,784.14

Interim condensed consolidated statement of changes in equity (unaudited)

in RON mn	Share capital	Revenue reserves	Other reserves ¹	Treasury shares	Stockholders' equity	Non-controlling interests	Total equity
January 1, 2019	5,664.41	25,653.10	50.13	(0.02)	31,367.62	0.48	31,368.10
Net income for the period	-	2,759.78	-	-	2,759.78	0.07	2,759.85
Other comprehensive income for the period	-	-	20.64	-	20.64	0.01	20.65
Total comprehensive income for the period	-	2,759.78	20.64	-	2,780.42	0.08	2,780.50
Dividend distribution	-	(1,529.38)	-	-	(1,529.38)	(0.07)	(1,529.45)
Change in non-controlling interests and other	-	-	-	-	-	-	-
September 30, 2019	5,664.41	26,883.50	70.77	(0.02)	32,618.66	0.49	32,619.15

in RON mn	Share capital	Revenue reserves	Other reserves ¹	Treasury shares	Stockholders' equity	Non-controlling interests	Total equity
January 1, 2018	5,664.41	22,765.94	49.34	(0.02)	28,479.67	(58.64)	28,421.03
Net income/(loss) for the period	-	2,667.47	-	-	2,667.47	(0.32)	2,667.15
Other comprehensive income/(loss) for the period	-	-	(3.08)	-	(3.08)	(1.72)	(4.80)
Total comprehensive income/(loss) for the period	-	2,667.47	(3.08)	-	2,664.39	(2.04)	2,662.35
Dividend distribution	-	(1,132.88)	-	-	(1,132.88)	(0.08)	(1,132.96)
Change in non-controlling interests and other	-	(65.64)	(9.39)	-	(75.03)	61.23	(13.80)
September 30, 2018	5,664.41	24,234.89	36.87	(0.02)	29,936.15	0.47	29,936.62

¹Other 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.

Interim condensed consolidated statement of cash flows (unaudited)

Q3/19	Q2/19	Q3/18	Summarized statement of cash flows (in RON mn)	9m/19	9m/18
925.80	997.55	1,650.43	Profit before tax	3,235.88	3,233.76
229.28	52.05	(72.08)	Net change in provisions	273.37	(3.86)
(14.08)	(4.96)	(13.45)	Net gains on the disposal of non-current assets	(73.89)	(12.18)
922.36	898.75	807.99	Depreciation, amortization and impairments including write-ups	2,574.55	2,419.24
28.79	32.48	(31.32)	Net interest (paid)/received	86.89	(15.56)
(153.47)	(189.79)	(95.82)	Tax on profit paid	(546.40)	(302.49)
(82.89)	(106.61)	(2.21)	Other non-monetary adjustments	(322.59)	163.13
1,855.79	1,679.47	2,243.54	Sources of funds ¹	5,227.81	5,482.04
94.93	(106.22)	70.36	(Increase)/Decrease in inventories	(239.80)	(115.30)
77.66	(84.01)	(100.84)	(Increase)/Decrease in receivables	(24.02)	(157.62)
65.20	(60.66)	163.20	Increase/(Decrease) in liabilities	63.20	351.99
2,093.58	1,428.58	2,376.26	Cash flow from operating activities	5,027.19	5,561.11
(917.17)	(1,009.58)	(1,186.79)	Intangible assets and property, plant and equipment	(2,887.46)	(3,179.30)
-	(0.05)	-	Investments, loans and other financial assets	38.19	-
206.91	42.53	28.16	Proceeds in relation to non-current assets	254.47	36.65
-	-	-	Proceeds from the sale of subsidiaries and businesses, net of cash disposed	78.58	13.21
(710.26)	(967.10)	(1,158.63)	Cash flow from investing activities	(2,516.22)	(3,129.44)
(33.48)	(34.15)	(63.96)	Decrease in borrowings	(265.51)	(337.66)
(0.58)	(1,514.08)	(0.52)	Dividends paid	(1,514.78)	(1,122.06)
-	-	-	Decrease in non-controlling interest	-	(1.01)
(34.06)	(1,548.23)	(64.48)	Cash flow from financing activities	(1,780.29)	(1,460.73)
1.00	(0.53)	0.16	Effect of exchange rate changes on cash and cash equivalents	1.70	0.78
1,350.26	(1,087.28)	1,153.31	Net increase/(decrease) in cash and cash equivalents	732.38	971.72
4,991.55	6,078.83	3,797.46	Cash and cash equivalents beginning of period	5,609.43	3,979.05
6,341.81	4,991.55	4,950.77	Cash and cash equivalents end of period	6,341.81	4,950.77
1,383.32	461.48	1,217.63	Free cash flow	2,510.97	2,431.67
1,382.74	(1,052.60)	1,217.11	Free cash flow after dividends	996.19	1,309.61

¹ Representing cash generated from operating activities before working capital movements

Selected notes to the interim condensed consolidated financial statements as of and for the period ended September 30, 2019 (unaudited)

Legal principles

The interim condensed unaudited consolidated financial statements as of and for the nine-month period ended September 30, 2019 (9m/19) 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 consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as of December 31, 2018.

The interim condensed consolidated financial statements for 9m/19 included in this report are unaudited and an external limited review by an auditor was not performed.

The interim condensed consolidated financial statements for 9m/19 have been prepared in million RON (RON mn, RON 1,000,000). Accordingly there may be rounding differences. In addition to the interim condensed consolidated financial statements, further information on main items affecting the interim condensed consolidated financial statements as of September 30, 2019 is given as part of the description of Business Segments in the Directors' Report.

General accounting policies

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

The Group 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 Group's interim condensed consolidated 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 was 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 which expire 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 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 1.34%. The first-time application of IFRS 16 resulted in recognizing RON 300 mn as right-of-use assets and RON 285 mn as lease liabilities for previous operating leases. For leases previously classified as finance leases the Group 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

In RON mn	January 1, 2019
Future minimum lease payments under non-cancellable operating leases as at December 31, 2018	197
less minimum lease payments for short-term leases	(27)
less minimum lease payments for low value leases	-
plus minimum lease payments under reasonably certain prolongation or termination options	156
Gross lease liability for previously unrecognized operating lease commitments as at January 1, 2019	326
less discounting effect as at January 1, 2019	(41)
Lease liability for previously unrecognized operating lease commitments as at January 1, 2019	285
Finance lease liability recognized as at 31 December, 2018	169
Lease liability recognized as at January 1, 2019	454

Leasing overview

In RON mn	September 30, 2019
Right of use assets	
Right of use assets - land and buildings	209
Right of use assets - plant and machinery	112
Right of use assets - other fixtures, fittings and equipment	241
Total right of use assets – carrying amount	563
In RON mn	9m/19
Depreciation of right-of-use assets	75
Lease liabilities	September 30, 2019
Non-current lease liabilities	476
Current lease liabilities	116
Total lease liabilities	592

Changes in the consolidated Group

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

The detailed structure of the consolidated companies in OMV Petrom Group at September 30, 2019 is presented in Appendix 1 to the current report.

Seasonality and cyclical

Seasonality is of particular significance in Downstream.

Consumption of natural gas, electricity, heat and certain oil products is seasonal and is significantly affected by climatic conditions. Natural gas consumption is 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 the need for more artificial lighting. In addition, 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, the 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.

In addition to the interim condensed consolidated financial statements and notes, further information on main factors affecting the interim condensed consolidated financial statements as of and for the nine-month period ended September 30, 2019 is given as part of the description of OMV Petrom Group's Business Segments in the Directors' Report.

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 the 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, and are detailed below.

Q3/19	Q2/19	Q3/18	Δ% ¹	NBR FX rates	9m/19	9m/18	Δ%
4.732	4.748	4.647	2	Average EUR/RON FX rate	4.738	4.651	2
4.255	4.225	3.995	6	Average USD/RON FX rate	4.217	3.896	8
4.751	4.735	4.664	2	Closing EUR/RON FX rate	4.751	4.664	2
4.349	4.159	4.021	8	Closing USD/RON FX rate	4.349	4.021	8

¹ Q3/19 vs. Q3/18

Notes to the income statement

Sales revenues

in RON mn	9m/19	9m/18
Revenues from contracts with customers	18,207.24	16,243.23
Revenues from other sources	(18.13)	(132.62)
Total sales revenues	18,189.11	16,110.61

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.

Revenues from contracts with customers

in RON mn						9m/19
	Upstream	Downstream	thereof Downstream Oil	thereof Downstream Gas	Corporate & Other	Total
Crude oil and NGL	305.07	48.64	48.64	-	-	353.71
Natural gas, LNG and power	4.45	4,230.27	10.10	4,220.17	-	4,234.72
Fuels and heating oil	-	10,568.67	10,568.67	-	-	10,568.67
Other goods and services	36.72	3,002.21	2,997.92	4.29	11.21	3,050.14
Total	346.24	17,849.79	13,625.33	4,224.46	11.21	18,207.24

in RON mn						9m/18
	Upstream	Downstream	thereof Downstream Oil	thereof Downstream Gas	Corporate & Other	Total
Crude oil and NGL	336.44	75.97	75.97	-	-	412.41
Natural gas, LNG and power	4.06	3,367.69	7.26	3,360.43	-	3,371.75
Fuels and heating oil	-	9,702.13	9,702.13	-	-	9,702.13
Other goods and services	40.41	2,700.47	2,698.71	1.76	16.06	2,756.94
Total	380.91	15,846.26	12,484.07	3,362.19	16.06	16,243.23

Income tax

Q3/19	Q2/19	Q3/18	In RON mn	9m/19	9m/18
140.49	174.19	271.02	Taxes on income	476.03	566.61
164.91	158.30	233.83	Current taxes	502.77	511.62
(24.42)	15.89	37.19	Deferred taxes – expense / (revenue)	(26.74)	54.99
15%	17%	16%	Group effective tax rate	15%	18%

Notes to the statement of financial position

Commitments

As at September 30, 2019 OMV Petrom Group's commitments for the acquisition of intangible assets and property, plant and equipment amounted to RON 1,237 mn (December 31, 2018: RON 1,001 mn), mainly relating to exploration and production activities in Upstream.

Contingent liabilities

With reference to the Arpechim refinery site, a provision for soil remediation was set up in Q3/19. Consequently, the related contingency, described in detail in Note 34 – Contingent liabilities in the OMV Petrom Consolidated Financial Statements 2018, is no longer applicable.

Inventories

During the nine months ended September 30, 2019, there were no material write-downs of inventories.

Equity

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).

The total number of own shares held by the Company as of September 30, 2019 amounted to 204,776 (December 31, 2018: 204,776).

Financial liabilities

As of September 30, 2019, short and long-term interest-bearing debts amounted to RON 948 mn, thereof RON 592 mn lease liabilities. Starting with January 1, 2019 lease liabilities are included in the line "Interest-bearing debts" in the Interim consolidated 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 719 mn, thereof RON 169 mn liabilities for finance leases.

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.

Financial instruments on asset side (in RON mn)	September 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	-	0.06	-	0.06	-	5.78	-	5.78
Other derivatives	-	52.31	-	52.31	-	45.01	-	45.01
Total	-	52.37	-	52.37	-	50.79	-	50.79

Financial instruments on liability side (in RON mn)	September 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	-	-	-	-	-	(0.75)	-	(0.75)
Liabilities on other derivatives	-	(130.52)	-	(130.52)	(162.78)	-	-	(162.78)
Other financial liabilities	-	-	(14.31)	(14.31)	-	-	(11.41)	(11.41)
Total	-	(130.52)	(14.31)	(144.83)	(163.53)	(11.41)	(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 356 mn (December 31, 2018: RON 549 mn). The estimated fair value of these liabilities was RON 359 mn (December 31, 2018: RON 554 mn). The carrying amount of all other financial assets and financial liabilities approximates their fair value.

Segment reporting

Intersegmental sales

Q3/19	Q2/19	Q3/18	Δ% ¹	in RON mn	9m/19	9m/18	Δ%
2,144.43	2,327.85	2,417.05	(11)	Upstream	6,747.12	6,880.71	(2)
58.17	57.20	57.17	2	Downstream ²	179.39	172.36	4
26.04	26.60	31.38	(17)	thereof Downstream Oil	82.06	97.61	(16)
47.45	60.59	41.84	13	thereof Downstream Gas	180.39	140.43	28
(15.32)	(29.99)	(16.05)	5	thereof intersegmental elimination Downstream Oil and Downstream Gas	(83.06)	(65.68)	(26)
50.23	50.84	41.83	20	Corporate and Other	150.18	132.67	13
2,252.83	2,435.89	2,516.05	(10)	Total	7,076.69	7,185.74	(2)

¹ Q3/19 vs. Q3/18;

² Sales Downstream = Sales Downstream Oil + Sales Downstream Gas – intersegmental elimination Downstream Oil and Downstream Gas

Sales to external customers

Q3/19	Q2/19	Q3/18	Δ% ¹	in RON mn	9m/19	9m/18	Δ%
116.55	147.41	130.07	(10)	Upstream	351.00	385.84	(9)
6,744.96	5,743.85	6,122.35	10	Downstream	17,814.31	15,697.21	13
5,098.76	4,746.80	5,042.37	1	thereof Downstream Oil	13,638.60	12,487.34	9
1,646.20	997.05	1,079.98	52	thereof Downstream Gas	4,175.71	3,209.87	30
7.86	8.41	7.45	6	Corporate and Other	23.80	27.56	(14)
6,869.37	5,899.67	6,259.87	10	Total	18,189.11	16,110.61	13

¹ Q3/19 vs. Q3/18

Total sales (not consolidated)

Q3/19	Q2/19	Q3/18	Δ% ¹	in RON mn	9m/19	9m/18	Δ%
2,260.98	2,475.26	2,547.12	(11)	Upstream	7,098.12	7,266.55	(2)
6,803.13	5,801.05	6,179.52	10	Downstream ²	17,993.70	15,869.57	13
5,124.80	4,773.40	5,073.75	1	thereof Downstream Oil	13,720.66	12,584.95	9
1,693.65	1,057.64	1,121.82	51	thereof Downstream Gas	4,356.10	3,350.30	30
(15.32)	(29.99)	(16.05)	5	thereof intersegmental elimination Downstream Oil and Downstream Gas	(83.06)	(65.68)	(26)
58.09	59.25	49.28	18	Corporate and Other	173.98	160.23	9
9,122.20	8,335.56	8,775.92	4	Total	25,265.80	23,296.35	8

¹ Q3/19 vs. Q3/18;

² Sales Downstream = Sales Downstream Oil + Sales Downstream Gas – intersegmental elimination Downstream Oil and Downstream Gas

Segment and Group profit

Q3/19	Q2/19	Q3/18	Δ% ¹	in RON mn	9m/19	9m/18	Δ%
511.78	707.06	951.07	(46)	Operating Result Upstream	2,093.47	2,396.31	(13)
383.16	358.40	650.56	(41)	Operating Result Downstream	1,308.63	1,312.06	0
316.88	359.56	604.59	(48)	thereof Operating Result Downstream Oil	1,085.28	1,245.94	(13)
66.28	(1.16)	45.97	44	thereof Operating Result Downstream Gas	223.35	66.12	238
(28.04)	(25.72)	(18.83)	(49)	Operating Result Corporate and Other	(118.17)	(68.66)	(72)
866.90	1,039.74	1,582.80	(45)	Operating Result segment total	3,283.93	3,639.71	(10)
71.79	(70.70)	98.00	(27)	Consolidation: Elimination of intersegmental profits	(87.74)	(177.66)	51
938.69	969.04	1,680.80	(44)	OMV Petrom Group Operating Result	3,196.19	3,462.05	(8)
(12.89)	28.51	(30.37)	58	Net financial result	39.69	(228.29)	n.m.
925.80	997.55	1,650.43	(44)	OMV Petrom Group profit before tax	3,235.88	3,233.76	0

¹ Q3/19 vs. Q3/18

Assets¹

in RON mn	September 30, 2019	December 31, 2018
Upstream	24,094.46	22,866.45
Downstream	6,599.18	6,521.73
thereof Downstream Oil	5,497.93	5,440.16
thereof Downstream Gas	1,101.25	1,081.57
Corporate and Other	471.23	419.86
Total	31,164.87	29,808.04

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.

Other notes

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. The most significant are disclosed in the Appendix 2.

Financial Ratios (presented in accordance with the requirements of the Financial Supervisory Authority's Regulation no. 5/2018 on issuers of financial instruments and market operations)

Financial ratio	Formula	Value
Current ratio	Current Assets / Current Liabilities ¹	2.18
Indebtness Ratio (%)	Interest- bearing debts (long term)/ Equity*100	2.11
	Interest- bearing debts (long term)/ (Interest- bearing debts (long term)+Equity)*100	2.07
Days in receivables	Receivables average balance / Turnover*270	26.19
Fixed assets turnover ²	Turnover / Fixed assets	0.78

¹ Current Assets include Assets held for sale and Current Liabilities include Liabilities associated with assets held for sale

² Fixed assets turnover is calculated based on turnover for 9m/19*(360/270) days.

Declaration of the management

We confirm to the best of our knowledge that the unaudited interim condensed consolidated financial statements for the nine-month period ended September 30, 2019 give a true and fair view of OMV Petrom Group's assets, liabilities, financial position and profit or loss, as required by the applicable accounting standards, and that the Group Directors' Report gives a true and fair view of important events that have occurred during the first nine months of the 2019 financial year and their impact on the interim condensed consolidated financial statements, as well as a description of the principal risks and uncertainties.

Bucharest, October 30, 2019

The Executive Board

Christina Verchere
Chief Executive Officer
President of the Executive Board



Alina Popa
Chief Financial Officer
Member of the Executive Board



Peter Zeilinger
Member of the Executive Board
Upstream



Franck Neel
Member of the Executive Board
Downstream Gas



Radu Caprau
Member of the Executive Board
Downstream Oil



Further information

Abbreviation and definitions

ANRE	Romanian Energy Regulatory Authority
bbl	barrel(s), i.e. 159 liters
bcf	billion cubic feet; 1 bcm = 35.3147 bcf for Romania or 34.7793 bcf for Kazakhstan
boe; kboe; kboe/d	barrels of oil equivalent; thousand barrels of oil equivalent; kboe per day
bn	billion
bcm	billion cubic meters
Capital employed	equity including minorities plus net debt/(cash)
CEO	Chief Executive Officer
Co&O	Corporate and Other
CAPEX	Capital expenditure
Clean CCS Operating Result	Operating Result adjusted for special items and CCS effects. Group clean CCS Operating Result is calculated by adding the clean CCS Operating Result of Downstream Oil, the clean Operating Result of the other segments and the reported consolidation effect adjusted for changes in valuation allowances, in case the net realizable value of the inventory is lower than its cost.
Clean CCS net income attributable to stockholders	Net income attributable to stockholders, adjusted for the after tax effect of special items and CCS
Clean CCS EPS	Clean CCS Earnings per share = Clean CCS net income attributable to stockholders divided by weighted number of shares
Clean CCS ROACE	Clean CCS Return On Average Capital Employed = NOPAT (as a sum of current and last three quarters) adjusted for the after tax effect of special items and CCS, divided by average Capital Employed (on a rolling basis, as an average of last four quarters) (%)
Clean effective tax rate	Taxes on income adjusted for the tax effect of special items and CCS, divided by Clean CCS Profit before tax (%)
EPS	Earnings per share = Net income attributable to stockholders divided by weighted number of shares
Effective tax rate	Taxes on income divided by Profit before tax (%)
EUR	euro
E&A	Exploration and appraisal
FX	Foreign Exchange
GEO	Government Emergency Ordinance
HSSE	Health, Safety, Security and Environment
IFRSs; IASs	International Financial Reporting Standards; International Accounting Standards
LNG	Liquefied natural gas
mn	million
MWh	megawatt hour
NAMR	National Agency for Mineral Resources
NBR	National Bank of Romania
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.
NGL	Natural Gas Liquids
n.a.	not applicable/not available (as the case may be)

n.m.	not meaningful i.e. deviation exceeds (+/-) 500% or comparison is made between positive and negative values
NOPAT	Net Operating Profit After Tax =Net income attributable to stockholders of the parent, adjusted for net interest on net borrowings, +/- result from discontinued operations, +/- tax effect of adjustments
OPCOM	The administrator of the Romanian electricity market
Operating Result	The "Operating result" includes the former indicator EBIT ("Earnings Before Interest and Taxes") and the net result from equity-accounted investments.
Clean Operating Result before depreciation and amortization, impairments and write-ups	Former EBITD adjusted for special items and CCS effects = Operating Result Before Interest, Taxes, Depreciation and amortization, impairments and write-ups of fixed assets, including reversals adjusted for special items and CCS effects
OPEX	Operating Expenses
Q	quarter
ROACE	Return On Average Capital Employed = NOPAT (as a sum of current and last three quarters) divided by average Capital Employed (on a rolling basis, as an average of last four quarters) (%)
RON	Romanian leu
S.A.; S.R.L.	Societate pe Actiuni (Joint-stock company); Societate cu Raspundere Limitata (Limited liability company)
t	metric tonne(s)
TWh	terawatt hour
USD	United States dollar
yoy	year-on-year

Appendix 1

Consolidated companies in OMV Petrom Group at September 30, 2019

Parent company

OMV Petrom S.A.

Subsidiaries

Upstream		Downstream Oil	
Tasbulat Oil Corporation LLP (Kazakhstan)	100.00%	OMV Petrom Marketing S.R.L.	100.00%
Kom Munai LLP (Kazakhstan)	100.00%	OMV Petrom Aviation S.R.L. ¹	100.00%
Petrom Exploration & Production Ltd.	99.99%	Petrom Moldova S.R.L. (Moldova)	100.00%
		OMV Bulgaria OOD (Bulgaria)	99.90%
		OMV Srbija DOO (Serbia)	99.96%
Downstream Gas		Corporate & Other	
OMV Petrom Gas S.R.L.	99.99%	Petromed Solutions S.R.L.	99.99%

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

Associated company, accounted for at equity

OMV Petrom Global Solutions S.R.L.	25.00%
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Appendices 1 and 2 form part of the interim unaudited condensed consolidated financial statements

Appendix 2

Significant transactions with related parties

During the first nine months of the financial year 2019, OMV Petrom Group had the following significant transactions with related parties and balances as of September 30, 2019:

Related party (in RON mn)	Purchases 9m/19	Balances payable September 30, 2019
OMV Supply & Trading Limited	1,470.96	0.71
OMV Petrom Global Solutions S.R.L.	389.48	79.98
OMV Gas Marketing & Trading GmbH	230.89	41.31
OMV Refining & Marketing GmbH	145.30	43.61
OMV International Services GmbH	3.68	79.97

Related party (in RON mn)	Revenues 9m/19	Balances receivable September 30, 2019
OMV Deutschland GmbH	222.15	45.28
OMV Gas Marketing & Trading GmbH	137.86	20.43
OMV Refining & Marketing GmbH	42.03	11.38
OMV International Services GmbH	-	22.68

During the first nine months of the financial year 2018, OMV Petrom Group had the following significant transactions with related parties and balances as of December 31, 2018:

Related party (in RON mn)	Purchases 9m/18	Balances payable December 31, 2018
OMV Supply & Trading Limited	506.33	141.37
OMV Petrom Global Solutions S.R.L.	349.59	116.05
OMV Refining & Marketing GmbH	206.80	50.57
OMV Exploration & Production GmbH	57.92	26.48

Related party (in RON mn)	Revenues 9m/18	Balances receivable December 31, 2018
OMV Deutschland GmbH	261.21	63.95
OMV Refining & Marketing GmbH	118.45	1.94
OMV Gas Marketing & Trading GmbH	74.70	6.37
OMV International Services GmbH	-	12.53

Appendices 1 and 2 form part of the interim unaudited condensed consolidated financial statements

Contact

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