OMV Petrom Group results[1] for January – June and Q2 2018

including unaudited interim condensed consolidated financial statements as of and for the period ended June 30, 2018

Highlights Q2/18

- **Operating cash flow RON 1.4 bn**
- **Dividends paid RON 1.1 bn**
- **Clean CCS Operating Result RON 735 mn**
- **Clean CCS ROACE 9.5%**

In the first six months of 2018, the positive impact of improved commodity prices was partly offset by the effects of the planned refinery turnaround, which was delivered on time and on budget.

Our 6m/18 Clean CCS Operating Result reached RON 1.7 bn, stable yoy, with Upstream being the largest contributor. The six-week refinery turnaround impacted the Downstream Oil Clean CCS Operating Result by around RON (150) mn. In addition, the turnaround led to unrealized profits in amount of approximately RON (260) mn at Group level, which are eliminated in the Consolidation line. This effect will be reversed over the remainder of the year as stored crude is processed and crude inventories are reduced to normal levels.

Our operating cash flow reached RON 3.2 bn in 6m/18, up 7% yoy. In line with our guidance, we ramped up investments, more than doubling the number of wells and sidetracks in Upstream, while in Downstream Oil we completed the full-site refinery turnaround, moving to a four-year turnaround cycle. These translated into cash outflow from investments of around RON 2 bn, almost double yoy. In 6m/18 we paid dividends to the amount of RON 1.1 bn.

As a result of all the above, our free cash flow after dividends reached RON 93 mn in 6m/18.

Q2/18	Q1/18	Q2/17	Δ%[2]	Key performance indicators (in RON mn)	6m/18	6m/17	Δ%
735	958	892	(18)	Clean CCS Operating Result [3]	1,694	1,659	2
701	1,080	779	(10)	Operating Result	1,781	1,577	13
462	752	690	(33)	Clean CCS net income attributable to stockholders [3,4,5]	1,214	1,276	(5)
434	854	592	(27)	Net income attributable to stockholders [4]	1,288	1,210	6
0.0082	0.0133	0.0122	(33)	Clean CCS EPS (RON) [3,4,5]	0.0214	0.0225	(5)
0.0077	0.0151	0.0104	(27)	EPS (RON) [4]	0.0227	0.0214	6
1,388	1,796	1,714	(19)	Cash flow from operating activities	3,185	2,976	7
(637)	729	397	n.m.	Free cash flow after dividends	93	1,043	(91)

[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] Q2/18 vs. Q2/17;
[3] Adjusted for exceptional, non-recurring items; Clean CCS (current cost of supply) figures exclude special items and inventory holding effects (CCS effects) resulting from Downstream Oil; special items include temporary effects from commodity hedging (in order to mitigate Income Statement volatility);
[4] After deducting net result attributable to non-controlling interests;
[5] Excludes additional special income from a legal dispute reflected in the financial result.

Content

Directors' report (condensed, unaudited)

Financial highlights

Q2/18	Q1/18	Q2/17	Δ% [1]	in RON mn	6m/18	6m/17	Δ%
4,976	4,875	4,608	8	Sales [2]	9,851	9,261	6
735	**958**	**892**	**(18)**	**Clean CCS Operating Result [3]**	**1,694**	**1,659**	**2**
820	645	447	83	Clean Operating Result Upstream [3, 4]	1,465	907	62
221	321	431	(49)	Clean CCS Operating Result Downstream [3]	542	742	(27)
(18)	(22)	(8)	(129)	Clean Operating Result Co&O [3]	(39)	(29)	(36)
(288)	14	22	n.m.	Consolidation	(273)	39	n.m.
23	16	17	37	Clean Group effective tax rate (%)	19	17	12
462	752	690	(33)	Clean CCS net income [3]	1,214	1,275	(5)
462	**752**	**690**	**(33)**	**Clean CCS net income attributable to stockholders [3,6,7]**	**1,214**	**1,276**	**(5)**
0.0082	0.0133	0.0122	(33)	Clean CCS EPS (RON) [3,6,7]	0.0214	0.0225	(5)
735	**958**	**892**	**(18)**	**Clean CCS Operating Result [3]**	**1,694**	**1,659**	**2**
(191)	**71**	**(81)**	**(135)**	**Special items [5]**	**(120)**	**(77)**	**(56)**
157	50	(32)	n.m.	CCS effects: Inventory holding gains/(losses)	207	(5)	n.m.
701	**1,080**	**779**	**(10)**	**Operating Result Group**	**1,781**	**1,577**	**13**
813	632	416	96	Operating Result Upstream [4]	1,445	887	63
215	447	335	(36)	Operating Result Downstream	662	657	1
(28)	(22)	(8)	(248)	Operating Result Co&O	(50)	(29)	(69)
(299)	23	36	n.m.	Consolidation	(276)	63	n.m.
(135)	(63)	(65)	(109)	Net financial result	(198)	(121)	(64)
566	1,017	714	(21)	Profit before tax	1,583	1,456	9
23	16	17	36	Group effective tax rate (%)	19	17	10
434	854	591	(27)	Net income	1,288	1,210	6
434	**854**	**592**	**(27)**	**Net income attributable to stockholders [6]**	**1,288**	**1,210**	**6**
0.0077	0.0151	0.0104	(27)	EPS (RON) [6]	0.0227	0.0214	6
1,388	1,796	1,714	(19)	Cash flow from operating activities	3,185	2,976	7
(637)	729	397	n.m.	Free cash flow after dividends	93	1,043	(91)
(2,987)	(3,626)	(1,302)	(129)	Net debt/(cash)	(2,987)	(1,302)	(129)
1,260	843	560	125	Capital expenditure	2,102	913	130
9.5	10.5	7.7	25	Clean CCS ROACE (%) [3, 7]	9.5	7.7	25
10.1	10.8	7.1	41	ROACE (%)	10.1	7.1	41
13,421	13,606	14,332	(6)	OMV Petrom Group employees at end of period	13,421	14,332	(6)

[1] *Q2/18 vs. Q2/17*
[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 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 from a legal dispute reflected in the financial result.*

Group performance

Second quarter 2018 (Q2/18) vs. second quarter 2017 (Q2/17)

Consolidated sales increased by 8% compared to Q2/17, supported by higher prices for petroleum products and natural gas and by higher electricity sales volumes, which compensated for the lower sales volumes of natural gas and petroleum products, and the lower electricity prices. Downstream Oil represented 81% of total consolidated sales, while Downstream Gas accounted for 16% and Upstream for 3% (sales in Upstream being largely intra-group sales rather than third-party sales).

The **Clean CCS Operating Result** of RON 735 mn was lower than RON 892 mn in Q2/17, as the positive impact from a better market environment was more than offset by the effect of the Petrobrazi refinery turnaround. In addition, this turnaround led to higher levels of own crude oil stored thus translating into unrealized profits at Group level of approximately RON (260) mn, eliminated in the Consolidation line (out of RON (288) mn total clean Consolidation line). The **Clean Group effective tax rate** was 23% (Q2/17: 17%). **Clean CCS net income attributable to stockholders** was RON 462 mn (Q2/17: RON 690 mn).

Special items comprised net charges of RON (191) mn, mainly consisting of unrealized losses from the valuation of electricity forward contracts, while **inventory holding gains** amounted to RON 157 mn in Q2/18. In Q2/17, we recorded net special charges of RON (81) mn and inventory holding losses of RON (32) mn.

The **Reported Operating Result** for Q2/18 decreased to RON 701 mn, from RON 779 mn in Q2/17, mainly due to the planned turnaround of the Petrobrazi refinery and higher exploration expenses.

The **net financial result** deteriorated from a loss of RON (65) mn in Q2/17 to a loss of RON (135) mn in Q2/18, reflecting mainly higher interest expenses in relation to the discounting of receivables and the preliminary result of a fiscal review.

As a result, **profit before tax** for Q2/18 amounted to RON 566 mn, 21% lower than the Q2/17 values of RON 714 mn.

Income tax amounted to RON (132) mn, while the **effective tax rate** was 23% in Q2/18 (Q2/17: 17%).

Net income attributable to stockholders of the parent was RON 434 mn (Q2/17: RON 592 mn).

Cash flow from operating activities amounted to RON 1,388 mn, lower than RON 1,714 mn in Q2/17, when it was supported by a positive net working capital effect. **Free cash flow after dividends** resulted in a cash outflow of RON 637 mn (Q2/17: inflow of RON 397 mn).

Capital expenditure in Q2/18 amounted to RON 1,260 mn, more than double vs. RON 560 mn in Q2/17. Upstream investments in Q2/18 were RON 788 mn, compared to RON 474 mn in Q2/17. Downstream investments amounted to RON 471 mn (Q2/17: RON 86 mn), thereof RON 446 mn in Downstream Oil (Q2/17: RON 77 mn). Corporate and Other CAPEX was nil (Q2/17: RON 0 mn).

January to June 2018 (6m/18) vs. January to June 2017 (6m/17)

Consolidated sales of RON 9,851 mn for 6m/18 increased by 6% compared to 6m/17, sustained by higher crude oil and natural gas prices and higher electricity volumes sold, which compensated for the lower quantities of petroleum products and natural gas sold and a lower selling price for electricity. Downstream Oil represented 75% of total consolidated sales, Downstream Gas accounted for 22% and Upstream for 3% (sales in Upstream being largely intra-group sales rather than third-party sales).

The **Clean CCS Operating Result** amounted to RON 1,694 mn, slightly up yoy (6m/17: RON 1,659 mn) supported by higher sales that were partly offset by the effect of the Petrobrazi refinery turnaround on both the Downstream Oil result and the Consolidation line. The **Clean Group effective tax rate** was 19% (6m/17: 17%). **Clean CCS net income attributable to stockholders** was RON 1,214 mn (6m/17: RON 1,276 mn).

Special items comprised net charges of RON (120) mn (6m/17: RON (77) mn) and **inventory holding gains** amounted to RON 207 mn (6m/17: inventory holding losses RON (5) mn).

The **Reported Operating Result** amounted to RON 1,781 mn, 13% above the 6m/17 level of RON 1,577 mn, supported by the favorable crude oil price development, which compensated for the Petrobrazi refinery turnaround effect.

The **net financial result** deteriorated to RON (198) mn from RON (121) mn in 6m/17, mainly due to higher interest expenses in relation to the discounting of receivables and the preliminary result of a fiscal review.

As a result, **profit before tax** for 6m/18 of RON 1,583 mn improved compared with the result for the similar period of the previous year of RON 1,456 mn.

Income tax amounted to RON (296) mn, while the **effective tax rate** was 19% in 6m/18 (6m/17: 17%).

Net income attributable to stockholders of the parent was RON 1,288 mn (6m/17: RON 1,210 mn).

Cash flow from operating activities amounted to RON 3,185 mn, higher than for 6m/17 (RON 2,976 mn), reflecting the higher operating result supported by the favorable crude oil and natural gas prices development. **Free cash flow after dividends** resulted in a cash inflow of RON 93 mn (6m/17: RON 1,043 mn).

Capital expenditure of RON 2,102 mn in 6m/18 was significantly higher compared to RON 913 mn in 6m/17 mainly due to a ramp-up in drilling of development and exploration wells and intensified works in facilities projects in the Upstream segment, while the increase in Downstream Oil was related to investments for the refinery turnaround and for the Polyfuel growth project. Upstream investments in 6m/18 were RON 1,441 mn, compared to RON 797 mn in 6m/17. Downstream investments amounted to RON 661 mn (6m/17: RON 115 mn), thereof RON 635 mn in Downstream Oil (6m/17: RON 105 mn). Corporate and Other CAPEX was nil (6m/17: RON 1 mn).

Due to the significant cash balance at June 30, 2018, OMV Petrom Group maintained a **net cash** position of RON 2,987 mn (December 31, 2017: RON 2,897 mn).

Special items and CCS effect

Q2/18	Q1/18	Q2/17	Δ%[1]	Special items and CCS effect (in RON mn)	6m/18	6m/17	Δ%
735	**958**	**892**	**(18)**	**Clean CCS Operating Result**	**1,694**	**1,659**	**2**
(191)	**71**	**(81)**	**(135)**	**Special items**	**(120)**	**(77)**	**(56)**
(23)	(16)	(35)	35	thereof personnel and restructuring	(39)	(28)	(41)
0	0	(9)	n.m.	thereof unscheduled depreciation	0	(9)	n.m.
(168)	87	(37)	(351)	thereof other	(81)	(40)	(101)
157	50	(32)	n.m.	CCS effect: Inventory holding gains/(losses)	207	(5)	n.m.
701	**1,080**	**779**	**(10)**	**Operating Result Group**	**1,781**	**1,577**	**13**

[1] Q2/18 vs. Q2/17

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 restructuring, unscheduled depreciation and write-ups and other.

Furthermore, to enable effective performance management in an environment of volatile prices and comparability with peers, the **Current Cost of Supply (CCS)** effect is eliminated from the accounting result. The CCS effect also called inventory holding gains or losses, represents the difference between the cost of sales calculated using the current cost of supply and the cost of sales calculated using the weighted average method after adjusting for any changes in valuation allowances, in case the net realizable value of the inventory is lower than its cost. In volatile energy markets, measurement of the costs of petroleum products sold based on historical values (e.g. weighted average cost) can have a distorting effect on the reported results. This performance measurement enhances the transparency of the results and is commonly used in the oil industry. OMV Petrom, therefore, published this measurement in addition to the Operating Result determined according to IFRS.

Cash flow

Q2/18	Q1/18	Q2/17	Δ%[1]	Summarized cash-flow statement (in RON mn)	6m/18	6m/17	Δ%
1,464	**1,775**	**1,438**	**2**	**Sources of funds**	**3,239**	**2,877**	**13**
1,388	1,796	1,714	(19)	Cash flow from operating activities	3,185	2,976	7
(904)	(1,067)	(475)	(90)	Cash flow from investing activities	(1,971)	(1,091)	(81)
485	**729**	**1,239**	**(61)**	**Free cash flow**	**1,214**	**1,884**	**(36)**
(1,359)	(37)	(952)	(43)	Cash flow from financing activities	(1,396)	(943)	(48)
1	(1)	(1)	n.m.	Effect of exchange rates on cash and cash equivalents	1	(1)	n.m.
(873)	**691**	**286**	**n.m.**	**Net increase / (decrease) in cash and cash equivalents**	**(182)**	**941**	**n.m.**
4,670	3,979	2,651	76	Cash and cash equivalents at beginning of period	3,979	1,996	99
3,797	**4,670**	**2,937**	29	**Cash and cash equivalents at end of period**	**3,797**	**2,937**	**29**
(637)	**729**	**397**	**n.m.**	**Free cash flow after dividends**	**93**	**1,043**	**(91)**

[1] *Q2/18 vs. Q2/17*

Second quarter 2018 (Q2/18) vs. second quarter 2017 (Q2/17)

In Q2/18, the inflow of funds from profit before tax, adjusted for non-cash items such as depreciation and impairments, net change of provisions and other non-cash adjustments, as well as net interest and income tax paid, was RON 1,464 mn (Q2/17: RON 1,438 mn). **Net working capital** generated a cash outflow of RON 76 mn (Q2/17: inflow of RON 275 mn). **Cash flow from operating activities** decreased by RON 325 mn compared to Q2/17, reaching RON 1,388 mn.

In Q2/18, **cash flow from investing activities** resulted in an outflow of RON 904 mn (Q2/17: RON 475 mn) mainly related to payments for investments in intangible assets and property, plant and equipment, largely in the Upstream and Downstream Oil segments.

Cash flow from financing activities reflects an outflow of funds amounting to RON 1,359 mn (Q2/17: RON 952 mn), mainly arising from payment of dividends to the amount of RON 1,121 mn and full repayment of a loan from the European Bank for Reconstruction and Development to the amount of RON 289 mn.

Free cash flow (defined as cash flow from operating activities less cash flow from investing activities) showed an inflow of funds of RON 485 mn (Q2/17: RON 1,239 mn). **Free cash flow after dividends** resulted in a cash outflow of RON 637 mn (Q2/16: inflow of RON 397 mn).

January to June 2018 (6m/18) vs. January to June 2017 (6m/17)

In 6m/18, the inflow of funds from profit before tax, adjusted for non-cash items such as depreciation and impairments, net change of provisions and other non-cash adjustments, as well as net interest and income tax paid was RON 3,239 mn (6m/16: RON 2,877 mn). **Net working capital** generated a cash outflow of RON 54 mn (6m/17: inflow of RON 99 mn). **Cash flow from operating activities** increased by RON 209 mn compared to 6m/17, reaching RON 3,185 mn.

In 6m/18, **cash flow from investing activities** resulted in an outflow of RON 1,971 mn (6m/17: RON 1,091 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 1,396 mn (6m/17: RON 943 mn), mainly arising from the payment of dividends of RON 1,122 mn and full repayment of a loan from the European Bank for Reconstruction and Development of RON 289 mn.

Free cash flow (defined as cash flow from operating activities less cash flow from investing activities) showed an inflow of funds of RON 1,214 mn (6m/17: RON 1,884 mn). **Free cash flow after dividends** resulted in a cash inflow of RON 93 mn (6m/17: RON 1,043 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 2017 Annual Report (pages 66-69).

According to the last OMV Petrom Group risk assessment exercise in February 2018, the main uncertainties that could impact the Company's performance remain the commodity price risk, operational risks, and 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 being 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 recent months, we have seen a number of fiscal and regulatory initiatives discussed and/or implemented. This increases legislative volatility and influences the overall business environment.

Also refer to the Outlook section of the Director’s report for more information on current risks.

Outlook for the full year 2018

Market environment

- For the full year 2018, OMV Petrom expects the **average Brent oil price** to be at USD 70/bbl (revised up from USD 68/bbl). The Brent-Urals spread is anticipated to widen compared to 2017;
- **Refining margins** are expected to be below the 2017 level;
- **Demand for oil products, gas and power** is expected to be broadly similar to 2017.

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.

- Several amendments have been brought to Law 123/2012, including higher quotas of gas volumes to be traded on the Romanian centralized markets by participants to the wholesale market (50% as sellers and 40% as buyers). The new quotas apply from January 1, 2019 and may be increased yearly via ANRE decision;
- The Offshore Law draft was approved by Parliament and was sent to the President for promulgation; the authorities have publicly indicated that further clarifications will follow.

OMV Petrom Group

- We expect to generate a **positive free cash flow after dividends** supported by the favorable commodity prices;
- **CAPEX** (including capitalized exploration and appraisal) is currently anticipated to be around RON 3.7 bn, of which around 75% will be in Upstream;
- **Neptun Deep:** we are aiming for a final investment decision this year, depending on stable fiscal regime, gas market liberalization and gas infrastructure development;
- We are aiming for a **sustainable cost base** supported by ongoing efficiency programs.

Upstream

- **Production:** manage decline at around 4% yoy, not including portfolio optimization initiatives;
- **Portfolio optimization:** continue to focus on most profitable barrels, further 50–60 fields to be divested;
- **Investments:** around RON 2.8 bn (excluding E&A), including more than 100 new wells and sidetracks, around 1,000 workovers and the Neptun Deep project;
- **Exploration:** exploration expenditures are estimated to be around RON 460 mn due to the expected increase of working interest in exploration joint operating agreements and increased expenditures for drilling and testing.

Downstream

- **The refinery utilization** rate is estimated at around 85%; this includes the impact of the six-week full-site turnaround performed in Q2/18;
- Relatively similar **gas sales volumes** and higher **net electrical output** vs. 2017.

Business segments
Upstream

Q2/18	Q1/18	Q2/17	Δ%[1]	in RON mn	6m/18	6m/17	Δ%
1,426	1,259	1,054	35	Clean Operating Result before Depreciation and amortization, impairments and write ups [2]	2,685	2,112	27
820	645	447	83	Clean Operating Result [2]	1,465	907	62
(6)	(13)	(31)	79	Special items	(19)	(20)	2
813	632	416	96	Operating Result [2]	1,445	887	63
788	653	474	66	Capital expenditure	1,441	797	81
119	65	37	223	Exploration expenditures	184	78	138
53	32	19	179	Exploration expenses	85	70	21
11.67	11.89	10.42	12	OPEX (USD/boe)	11.78	10.47	12

Q2/18	Q1/18	Q2/17	Δ%[1]	Key performance indicators	6m/18	6m/17	Δ%
14.59	14.59	15.42	(5)	Total hydrocarbon production (mn boe)	29.18	30.73	(5)
160	162	169	(5)	Total hydrocarbon production (kboe/d)	161	170	(5)
6.75	6.60	6.96	(3)	Crude oil and NGL production (mn bbl)	13.35	13.81	(3)
1.20	1.22	1.30	(7)	Natural gas production (bcm)	2.42	2.59	(6)
42.34	43.20	45.74	(7)	Natural gas production (bcf)	85.53	91.42	(6)
13.7	13.5	14.6	(6)	Total hydrocarbon sales volume (mn boe)	27.2	28.9	(6)
72.74	65.17	48.49	50	Average Urals price (USD/bbl)	68.93	50.40	37
64.65	57.36	41.59	55	Average Group realized crude price (USD/bbl)	61.08	43.33	41

[1] *Q2/18 vs. Q2/17;*
[2] *Excluding intersegmental profit elimination*

Second quarter 2018 (Q2/18) vs. second quarter 2017 (Q2/17)

- **Strong Clean Operating Result supported by higher oil prices**
- **Daily production decreased by around 5%, due to natural decline and maintenance activities**
- **OPEX in USD/boe of 11.67, impacted by lower production and unfavorable FX effects**

The **Clean Operating Result** improved to RON 820 mn, mainly driven by higher oil prices and lower depreciation, which compensated for the lower oil and gas volumes, unfavorable FX effects (USD 6% weaker against RON), higher royalties and higher exploration expenses.

In both Q2/18 and Q2/17 the **Reported Operating Result** was impacted by special items, mainly in relation to personnel restructuring provisions.

Group **production costs** (OPEX) in USD/boe were 12% higher than in Q2/17, mainly due to lower production available for sale and unfavorable FX rates, which were partly counterbalanced by ongoing cost optimization. In Romania production costs in USD/boe increased by 13% to USD 11.83/boe, while in RON terms they increased by 7% to RON 46.17/boe.

Group hydrocarbon production decreased due to lower production both in Romania and Kazakhstan.

In **Romania**, daily hydrocarbon **production** was 152.7 kboe/d and total production stood at 13.89 mn boe. Crude oil and NGL production in Romania was 6.13 mn bbl, 3% lower than in Q2/17. This mainly reflected natural decline and marginal fields divestment. Gas production in Romania decreased by 8% to 7.76 mn boe (Q2/17: 8.41 mn boe) due to natural decline in main fields (Totea Deep and Lebada East) and the impact of maintenance activities.

In **Kazakhstan**, total production amounted to 0.69 mn boe, 2% lower compared to the same period of 2017, mainly due to natural decline.

Group hydrocarbon **sales volumes** decreased by 6% compared to Q2/17, due to lower volumes available for sale in Romania.

Exploration expenses increased to RON 53 mn in Q2/18, impacted by studies and related write-offs.

Exploration expenditures increased to RON 119 mn, as onshore exploration drilling activities intensified.

Investments in Upstream activities were 66% above the Q2/17 level, mainly due to ramp-up in drilling and workover activities.

January to June 2018 (6m/18) vs. January to June 2017 (6m/17)

The **Clean Operating Result** increased to RON 1,465 mn, mainly due to higher oil prices and lower total production costs and depreciation, which compensated for the lower volumes, unfavorable FX rates (USD 8% weaker against RON) and higher royalties (due to higher prices and the change of the gas reference price to CEGH – Central European Gas Hub).

The **Reported Operating Result** increased to RON 1,445 mn in 6m/18. Both periods were impacted by special items, mainly related to personnel restructuring charges.

Group **production costs** (OPEX) in USD/boe were 12% higher than in 6m/17, mainly due to unfavorable FX rates and lower production available for sale, partly counterbalanced by lower ongoing cost optimization. Production costs in Romania expressed in USD terms increased by 13% to USD 11.87/boe, while in RON terms they increased by 4% to RON 45.65/boe.

Group oil and gas production amounted to 29.18 mn boe. In **Romania** total oil and gas production was 27.90 mn boe, 5% lower compared to 29.39 mn boe in 6m/17. Crude oil and NGL production in Romania was 12.20 mn bbl, 3% lower compared to 6m/17, mainly due to the natural decline. Gas production in Romania decreased by 7% to 15.70 mn boe, due to the natural decline in the main gas fields (Totea Deep and Lebada East), the one-time effect of works and equipment replacement in the Totea-Hurezani area, and maintenance activities. Oil and gas production in **Kazakhstan** decreased by 4% to 1.28 mn boe.

Group hydrocarbon **sales volumes** decreased by 6% compared to 6m/17 due to lower quantities available for sale in Romania, slightly counterbalanced by higher quantities available for sale in Kazakhstan.

Exploration expenses slightly increased to RON 85 mn, due to higher write off for exploration assets.

Exploration expenditures increased to RON 184 mn, as onshore exploration drilling activities intensified.

Investments in Upstream activities of RON 1,441 mn represented 69% of the Group’s total CAPEX for 6m/18, 81% higher than the 6m/17 level. This increase was mainly due to the higher number of wells drilled and facilities projects.

In 6m/18, we finalized the drilling of 45 new wells and sidetracks, of which two were exploration wells.

Downstream

Q2/18	Q1/18	Q2/17	Δ%[1]	in RON mn	6m/18	6m/17	Δ%
407	514	618	(34)	Clean CCS Operating Result before Depreciation and amortization, impairments and write ups [2]	921	1,118	(18)
221	321	431	(49)	Clean CCS Operating Result [2]	542	742	(27)
195	243	395	(51)	thereof Downstream Oil	438	675	(35)
26	78	36	(29)	thereof Downstream Gas	104	68	54
(174)	84	(50)	(249	Special items	(90)	(56)	(60)
168	42	(46)	n.m.	CCS effect: Inventory holding gains/(losses) [2]	210	(29)	n.m.
215	447	335	(36)	Operating Result	662	657	1
471	190	86	447	Capital expenditure	661	115	475

Q2/18	Q1/18	Q2/17	Δ%[1]	Key performance indicators Downstream Oil	6m/18	6m/17	Δ%
6.72	6.56	8.51	(21)	Indicator refining margin (USD/bbl) [3]	6.64	8.03	(17)
0.59	1.11	1.13	(48)	Refining input (mn t) [4]	1.70	2.23	(24)
49	94	94	(48)	Refinery utilization rate (%)	71	95	(24)
1.13	1.12	1.28	(12)	Total refined product sales (mn t)	2.25	2.41	(6)
0.68	0.58	0.68	1	thereof retail sales volumes (mn t) [5]	1.27	1.25	1
				Key performance indicators Downstream Gas			
10.51	14.20	11.79	(11)	Gas sales volumes (TWh)	24.70	27.29	(9)
9.51	12.13	11.33	(16)	thereof to third parties (TWh)	21.64	25.08	(14)
0.42	0.89	0.16	164	Net electrical output (TWh)	1.31	0.91	44
178	163	187	(5)	OPCOM spot average electricity base load price (RON/MWh)	170	218	(22)

[1] Q2/18 vs. Q2/17;
[2] Current cost of supply (CCS): 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 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.

Second quarter 2018 (Q2/18) vs. second quarter 2017 (Q2/17)

- **Downstream Oil: Clean CCS Operating Result mainly impacted by Petrobrazi refinery turnaround; retail sales volumes up by 1%**
- **Downstream Gas: resilient result, built on optimization of products and clients portfolios**

The **Clean CCS Operating Result** decreased to RON 221 mn in Q2/18 (Q2/17: RON 431 mn), reflecting the lower yoy results of both the Downstream Oil and Downstream Gas segments. The **Reported Operating Result** of RON 215 mn also reflected **special charges** of RON (174) mn (mainly unrealized losses from the valuation of electricity forward contracts), almost fully counterbalanced by positive **CCS effects** of RON 168 mn (due to higher quotations towards the end of the quarter).

In Q2/18, the **Downstream Oil Clean CCS Operating Result** decreased to RON 195 mn, mainly due to the 45-day full-site Petrobrazi refinery turnaround and a deteriorating refining margin environment. The turnaround impacted the Q2/18 Clean CCS Operating Result by around RON (150) mn.

The **OMV Petrom indicator refining margin** decreased yoy by USD 1.79/bbl to USD 6.72/bbl in Q2/18, mainly as a result of the increased crude oil price. The **refinery utilization rate** was 49% in Q2/18, impacted by the refinery turnaround.

Total **refined product sales** were lower 12% vs. Q2/17, mainly reflecting the decrease in non-retail sales. Group retail sales volumes, which accounted for 60% of total refined product sales, increased by 1% compared to Q2/17 as a result of higher demand in Romania. The Retail result was also supported by a higher non-oil business contribution. Q2/18 non-retail sales volumes decreased by 26% yoy, impacted by lower product availability due to the refinery turnaround.

The **Downstream Gas Clean Operating Result** was RON 26 mn in Q2/18, reflecting the optimization of products and clients portfolios, and also supported by higher availability of the Brazi power plant vs. Q2/17; for comparison, the Q2/17 result was RON 36 mn and included the booking of RON 73 mn insurance revenues related to the Brazi power plant.

As per OMV Petrom's estimates, national **gas** demand decreased by approximately 9% compared to Q2/17. On the Romanian centralized markets, the weighted average price of natural gas for transactions closed in Q2/18 (16.7 TWh[1]) with delivery until Q3/19 was RON 84/MWh [1,2].

In Q2/18, OMV Petrom's gas sales volumes were 11% lower vs. Q2/17, mainly triggered by lower equity gas production. On the centralized markets, OMV Petrom sold 2.6 TWh in Q2/18, with delivery until Q3/19, at an average price[2] in line with the market price. At the end of Q2/18, OMV Petrom had 1.3 TWh in storage, compared to 0.8 TWh at the end of Q2/17.

As per currently available information from the grid operator, national **electricity** production was 1% lower, while national demand was 1% higher compared to the same quarter of 2017; net exports decreased by 38%.

A six-week planned partial shutdown took place at the Brazi power plant in April-May 2018; however, the plant generated a net electrical output of 0.4 TWh in Q2/18, compared to 0.1 TWh in Q2/17 when the plant was mostly offline due to the malfunction of two transformers. The Q2/17 net electrical output figure also included 0.02 TWh of electricity generated by the Dorobantu wind park, which was divested at the end of 2017.

Total **Downstream investments** amounted to RON 471 mn (Q2/17: RON 86 mn), thereof RON 446 mn in Downstream Oil (Q2/17: RON 77 mn). In Downstream Oil, the increase was mainly due to investments directed to the Petrobrazi refinery turnaround, tie-in projects and the Polyfuel growth project. In Downstream Gas, the Q2/18 investments amounted to RON 26 mn (Q2/17: RON 10 mn) and were mainly in relation to the planned shutdown of the Brazi power plant and the acquisition of a back-up transformer.

January to June 2018 (6m/18) vs. January to June 2017 (6m/17)

The **Clean CCS Operating Result** decreased to RON 542 mn in 6m/18 (6m/17: RON 742 mn), reflecting a lower contribution of Downstream Oil, partly counterbalanced by the higher Downstream Gas segment contribution. The **Reported Operating Result** was RON 662 mn, reflecting **special charges** of RON (90) mn (mainly unrealized losses from the valuation of electricity forward contracts) and positive **CCS effects** of RON 210 mn, due to higher quotations towards the end of the period.

The **Downstream Oil Clean CCS Operating Result** decreased to RON 438 mn in 6m/18 due to the Petrobrazi refinery turnaround and lower refining margins.

The **OMV Petrom indicator refining margin** decreased yoy by USD 1.39/bbl to USD 6.64/bbl in 6m/18, as a result of the negative effect from the increased crude price that more than offset the slightly better product quotations. The **refinery utilization rate** dropped to 71% (6m/17: 95%), impacted by the refinery turnaround.

Total refined product sales decreased by 6% compared to 6m/17. Group retail sales volumes were up by 1% driven by higher demand. Non-retail sales decreased by 15% reflecting the lower product availability due to the refinery turnaround.

The **Downstream Gas Clean Operating Result** improved to RON 104 mn in 6m/18 from RON 68 mn in 6m/17, mainly driven by the positive realized contribution from electricity forward contracts, which was supported by higher availability of the Brazi power plant.

As per OMV Petrom's estimates, Romania's **gas** demand in 6m/18 recorded a 3% decrease yoy. OMV Petrom's gas sales volumes were 9% lower vs. 6m/17, mainly due to the decrease in equity gas production.

As per currently available information from the grid operator, national **electricity** demand increased by 2% yoy in 6m/18, while electricity production remained stable; net exports decreased by 23% yoy.

The Brazi power plant generated a net electrical output of 1.3 TWh vs. 0.9 TWh in 6m/17, when it was partly offline due to the malfunction of two transformers. The 6m/17 net electrical output figure also included 0.05 TWh of electricity generated by the Dorobantu wind park, which was divested at the end of 2017.

Downstream investments amounted to RON 661 mn in 6m/18 (6m/17: RON 115 mn), thereof RON 635 mn in Downstream Oil (6m/17: RON 105 mn) and RON 27 mn in Downstream Gas (6m/17: RON 10 mn) and were directed towards the same projects mentioned in the Q2/18 comments.

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[1] *OMV Petrom estimates based on available public information;*

[2] *The gas price for transactions on the Romanian centralized markets refers to various products in terms of storage costs, flexibility and timing.*

Group interim condensed consolidated financial statements as of and for the period ended June 30, 2018 (unaudited)

Interim consolidated income statement (unaudited)

Q2/18	Q1/18	Q2/17	in RON mn	6m/18	6m/17
4,975.95	4,874.79	4,608.48	Sales revenues	9,850.74	9,261.11
52.73	29.37	111.90	Other operating income	82.10	166.50
3.00	2.80	1.36	Net income from equity-accounted investments	5.80	3.60
5,031.68	**4,906.96**	**4,721.74**	**Total revenues and other income**	**9,938.64**	**9,431.21**
(1,806.47)	(1,473.00)	(1,596.89)	Purchases (net of inventory variation)	(3,279.47)	(3,157.59)
(850.86)	(778.51)	(792.37)	Production and operating expenses	(1,629.37)	(1,583.62)
(302.88)	(278.15)	(231.31)	Production and similar taxes	(581.03)	(480.27)
(763.58)	(779.66)	(809.18)	Depreciation, amortization and impairment charges	(1,543.24)	(1,571.50)
(497.08)	(454.26)	(456.94)	Selling, distribution and administrative expenses	(951.34)	(917.88)
(52.62)	(31.94)	(18.87)	Exploration expenses	(84.56)	(70.03)
(56.96)	(31.42)	(37.18)	Other operating expenses	(88.38)	(73.01)
701.23	**1,080.02**	**779.00**	**Operating Result**	**1,781.25**	**1,577.31**
34.48	29.11	14.05	Interest income	63.59	38.20
(183.24)	(72.26)	(69.46)	Interest expenses	(255.50)	(139.86)
13.51	(19.52)	(9.16)	Other financial income and expenses	(6.01)	(19.35)
(135.25)	**(62.67)**	**(64.57)**	**Net financial result**	**(197.92)**	**(121.01)**
565.98	**1,017.35**	**714.43**	**Profit before tax**	**1,583.33**	**1,456.30**
(132.32)	(163.27)	(123.05)	Taxes on income	(295.59)	(246.79)
433.66	**854.08**	**591.38**	**Net income for the period**	**1,287.74**	**1,209.51**
433.86	**854.23**	**591.79**	**thereof attributable to stockholders of the parent**	**1,288.09**	**1,210.29**
(0.20)	(0.15)	(0.41)	thereof attributable to non-controlling interests	(0.35)	(0.78)
0.0077	**0.0151**	**0.0104**	**Basic earnings per share (RON)**	**0.0227**	**0.0214**

Interim consolidated statement of comprehensive income (unaudited)

Q2/18	Q1/18	Q2/17	in RON mn	6m/18	6m/17
433.66	**854.08**	**591.38**	**Net income for the period**	**1,287.74**	**1,209.51**
1.76	0.95	18.75	Exchange differences from translation of foreign operations	2.71	20.95
-	-	-	Realized gains on hedges recycled to income statement	-	-
1.76	**0.95**	**18.75**	**Total of items that may be reclassified (“recycled”) subsequently to the income statement**	**2.71**	**20.95**
-	-	-	Re-measurement gains on defined benefit plans	-	-
-	-	-	**Total of items that will not be reclassified("recycled") subsequently to the income statement**	-	-
(11.98)	5.97	16.73	Income tax relating to items that may be reclassified (“recycled”) subsequently to the income statement	(6.01)	19.61
-	-	-	Income tax relating to items that will not be reclassified ("recycled") subsequently to the income statement	-	-
(11.98)	**5.97**	**16.73**	**Total income taxes relating to components of other comprehensive income**	**(6.01)**	**19.61**
(10.22)	**6.92**	**35.48**	**Other comprehensive income/(loss) for the period, net of tax**	**(3.30)**	**40.56**
423.44	**861.00**	**626.86**	**Total comprehensive income for the period**	**1,284.44**	**1,250.07**
427.09	859.42	623.29	thereof attributable to stockholders of the parent	1,286.51	1,246.24
(3.65)	1.58	3.57	thereof attributable to non-controlling interests	(2.07)	3.83

Interim consolidated statement of financial position (unaudited)

in RON mn	June 30, 2018	December 31, 2017
Assets		
Intangible assets	2,820.64	2,611.13
Property, plant and equipment	27,195.37	27,143.50
Investments in associated companies	54.49	49.62
Other financial assets	2,254.25	2,317.15
Other assets	57.73	59.94
Deferred tax assets	1,534.55	1,545.35
Non-current assets	**33,917.03**	**33,726.69**
Inventories	2,243.74	2,082.80
Trade receivables	1,564.52	1,513.03
Other financial assets	176.29	243.96
Other assets	520.86	507.83
Cash and cash equivalents	3,797.46	3,979.05
Current assets	**8,302.87**	**8,326.67**
Assets held for sale	5.43	5.43
Total assets	**42,225.33**	**42,058.79**
Equity and liabilities		
Share capital	5,664.41	5,664.41
Reserves	22,893.86	22,815.26
Stockholders' equity	**28,558.27**	**28,479.67**
Non-controlling interests	0.44	(58.64)
Total equity	**28,558.71**	**28,421.03**
Provisions for pensions and similar obligations	223.91	224.84
Interest-bearing debts	326.06	558.68
Provisions for decommissioning and restoration obligations	6,895.51	7,274.81
Other provisions	265.11	274.24
Other financial liabilities	165.87	160.51
Other liabilities	15.32	16.08
Deferred tax liabilities	6.94	0
Non-current liabilities	**7,898.72**	**8,509.16**
Trade payables	3,075.13	2,805.44
Interest-bearing debts	304.72	328.62
Income tax liabilities	142.35	80.70
Other provisions and decommissioning	1,098.72	904.33
Other financial liabilities	391.38	371.25
Other liabilities	755.60	638.26
Current liabilities	**5,767.90**	**5,128.60**
Total equity and liabilities	**42,225.33**	**42,058.79**

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, 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	-	1,288.09	-	-	1,288.09	(0.35)	1,287.74
Other comprehensive income for the period	-	-	(1.58)	-	(1.58)	(1.72)	(3.30)
Total comprehensive income for the period	**-**	**1,288.09**	**(1.58)**	**-**	**1,286.51**	**(2.07)**	**1,284.44**
Dividend distribution	-	(1,132.88)	-	-	(1,132.88)	(0.08)	(1,132.96)
Change in non-controlling interests and other	-	(65.63)	(9.39)	-	(75.03)	61.23	(13.80)
June 30, 2018	**5,664.41**	**22,855.52**	**38.37**	**(0.02)**	**28,558.27**	**0.44**	**28,558.71**

in RON mn	Share capital	Revenue reserves	Other reserves[1]	Treasury shares	Stockholders' equity	Non-controlling interests	Total equity
January 1, 2017	**5,664.41**	**21,116.26**	**(11.30)**	**(0.02)**	**26,769.35**	**(63.16)**	**26,706.19**
Net income/(loss) for the period	-	1,210.29	-	-	1,210.29	(0.78)	1,209.51
Other comprehensive income for the period	-	-	35.95	-	35.95	4.61	40.56
Total comprehensive income for the period	**-**	**1,210.29**	**35.95**	**-**	**1,246.24**	**3.83**	**1,250.07**
Dividend distribution	-	(849.66)	-	-	(849.66)	(0.07)	(849.73)
June 30, 2017	**5,664.41**	**21,476.89**	**24.65**	**(0.02)**	**27,165.93**	**(59.40)**	**27,106.53**

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

Interim condensed consolidated statement of cash flows (unaudited)

Q2/18	Q1/18	Q2/17	Summarized statement of cash flows (in RON mn)	6m/18	6m/17
565.98	**1,017.35**	**714.43**	**Profit before tax**	1,583.33	**1,456.30**
27.10	41.12	11.32	Net change in provisions	68.22	1.11
1.09	0.18	(6.52)	Losses/(Gains) on the disposal of non-current assets	1.27	(7.27)
797.78	813.47	809.20	Depreciation, amortization and impairments including write-ups	1,611.25	1,601.37
15.13	0.63	(12.66)	Net interest (paid)/received	15.76	(19.56)
(162.91)	(43.76)	(126.77)	Tax on profit paid	(206.67)	(218.96)
219.79	(54.45)	49.44	Other non-monetary adjustments	165.34	63.82
1,463.96	**1,774.54**	**1,438.44**	**Sources of funds** [1]	**3,238.50**	**2,876.81**
(129.53)	(56.13)	(106.23)	Increase in inventories	(185.66)	(57.61)
(51.13)	(5.65)	281.45	(Increase)/Decrease in receivables	(56.78)	254.40
105.14	83.65	100.08	Increase/(Decrease) in liabilities	188.79	(97.68)
1,388.44	**1,796.41**	**1,713.74**	**Cash flow from operating activities**	**3,184.85**	**2,975.92**
(911.68)	(1,080.83)	(482.35)	Intangible assets and property, plant and equipment	(1,992.51)	(1,099.88)
8.04	0.45	7.13	Proceeds from sale of non-current assets	8.49	8.45
-	13.21	-	Proceeds from the sale of subsidiaries and businesses, net of cash disposed	13.21	-
(903.64)	**(1,067.17)**	**(475.22)**	**Cash flow from investing activities**	**(1,970.81)**	**(1,091.43)**
(236.42)	(37.28)	(110.58)	Decrease in borrowings	(273.70)	(101.54)
(1,121.46)	(0.08)	(841.19)	Dividends paid	(1,121.54)	(841.24)
(1.01)	-	**-**	Decrease in non-controlling interest	(1.01)	**-**
(1,358.89)	**(37.36)**	**(951.77)**	**Cash flow from financing activities**	**(1,396.25)**	**(942.78)**
1.27	(0.65)	(0.72)	Effect of exchange rate changes on cash and cash equivalents	0.62	(0.79)
(872.82)	**691.23**	**286.03**	**Net increase/(decrease) in cash and cash equivalents**	**(181.59)**	**940.92**
4,670.28	3,979.05	2,650.89	Cash and cash equivalents at beginning of period	3,979.05	1,996.00
3,797.46	**4,670.28**	**2,936.92**	**Cash and cash equivalents at end of period**	**3,797.46**	**2,936.92**
484.80	**729.24**	**1,238.52**	**Free cash flow**	**1,214.04**	**1,884.49**
(636.66)	**729.16**	**397.33**	**Free cash flow after dividends**	**92.50**	**1,043.25**

[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 June 30, 2018

Legal principles

The interim condensed unaudited consolidated financial statements as of and for the six-month period ended June 30, 2018 (6m/18) have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as of December 31, 2017.

The interim condensed consolidated financial statements for 6m/18 included in this report are unaudited and an external limited review by an auditor was not performed.

The interim condensed consolidated financial statements for 6m/18 have been prepared in million RON (RON mn, RON 1,000,000). Accordingly there may be rounding differences.

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, 2017, except for the adoption of new standards effective as of January 1, 2018. 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 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers from January 1, 2018.

A number of other amendments and interpretations have been effective since January 1, 2018, but they do not have a material effect on the Group's financial statements.

The Group is required to adopt IFRS 16 Leases from January 1, 2019.

IFRS 9 Financial Instruments

IFRS 9 introduces key changes to the classification and measurement of financial assets being based on a business model and contractual cash flows approach and implements a new impairment model based on expected credit losses. In addition, changes to hedge accounting have been made with the objective of better representing the effect of risk management activities that an entity adopts to manage exposures.

Except for hedge accounting, IFRS 9 is to be applied retrospectively. As permitted by IFRS 9, OMV Petrom Group did not restate the figures of the comparative period. The retrospective impact of applying IFRS 9 was accounted for through adjustments to the opening balances of the respective positions in equity as at January 1, 2018.

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVTPL).

As explained in the notes below, there are no significant differences between the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for classes of the Group's financial assets as at January 1, 2018.

Under IAS 39 all trade receivables were measured at amortized cost less any impairment. Upon the application of IFRS 9, however, few receivables eligible for factoring are measured at FVTPL as they are held within a business model with an objective to sell them.

Available-for-sale financial assets in OMV Petrom Group include investments. As a general rule, IFRS 9 requires that equity instruments be measured at fair value through profit or loss. At initial recognition, the Group may make an irrevocable election to present in other comprehensive income (OCI) subsequent changes in the fair value of an investment in an equity instrument within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies. Under IFRS 9, all equity investments will be designated as measured at fair value through OCI. Consequently, all fair value gains and losses will be reported in OCI; no impairment losses will be recognized in profit or loss and no gains or losses will be reclassified to profit or loss on disposal.

There is no impact on the Group's classification and measurement of financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss. The Group does not have any such liabilities.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses, as is the case under IAS 39. Financial assets measured at amortized cost are subject to the impairment provisions of IFRS 9. In general, the application of the expected credit loss model results in earlier recognition of credit losses and increases the amount of loss allowance recognized for the relevant items. Impairment losses are calculated based on a three-stage model using the credit default swap, internal or external counterparty rating and the associated probability of default. For certain financial instruments such as trade receivables, impairment losses are assessed under a simplified approach recognizing lifetime expected credit losses. The related impact in OMV Petrom Group's equity upon initial application of IFRS 9 is RON (5) mn.

Measurement category (in RON mn)	Loss allowance under IAS39	Remeasurement	Loss allowance under IFRS 9
Loans and receivables (IAS 39)/ Financial assets at amortized cost (IFRS 9)			
Cash and cash equivalents	-	-	-
Trade receivables	251.63	0.62	252.25
Other financial assets	884.84	4.38	889.22
Total	**1,136.47**	**5.00**	**1,141.47**

Under IFRS 9, generally more hedging instruments and hedged items will qualify for hedge accounting. As at December 31, 2017, the Group had no hedging relationships for which hedge accounting was applied, therefore the adoption of IFRS 9 has no impact on financial statements in respect of hedge accounting.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaced the previous revenue recognition requirements in IFRS and applies to all revenue arising from contracts with customers. According to the new standard, revenue is recognized to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Revenue is recognized when, or as, the customer obtains control of the goods or services.

The Group adopted the new standard on January 1, 2018 using the modified retrospective method, with the cumulated adjustment from initially applying this standard recognized at January 1, 2018. As a result, the Group has not applied the requirements of IFRS 15 to the comparative periods presented.

Initial application of IFRS 15 does not have an impact on the Group's retained earnings.

Under IFRS 15, there are more transactions in which OMV Petrom Group acts in the capacity of an agent. An agent recognizes revenue for the commission or fee earned for facilitating the transfer of goods or services. The assessment according to the new standard is based on whether the Group controls the specific goods or services before transferring to the customer, rather than whether it has exposure to significant risks and rewards associated with the sale of the goods or services. Furthermore, under IFRS 15 more transactions have to be considered as non-monetary exchanges between entities in the same line of business that do not qualify for revenue recognition. Without the adoption of IFRS 15, sales revenues and related costs would have been higher by RON 189 mn, without any impact on the margin. Besides this change, IFRS 15 did not have any material impact on OMV Petrom Group's interim financial statements.

Estimated impact of the adoption of IFRS 16 Leases

This standard will replace IAS 17 and sets out new rules for lease accounting. The Group is currently assessing the impact of IFRS 16 on its consolidated financial statements. The most significant impact identified is that the Group will recognize new assets and liabilities for part of its operating leases.

The analysis of the existing inventory of lease contracts indicates that the recognition of a right-of-use asset and lease liability for the existing lease contracts as of the reporting date would lead to an increase in property, plant and equipment and debt of approximately RON 260 mn on January 1, 2019.

In the income statement, depreciation charges and interest expense will be reported instead of lease expense. This will lead to a slight increase in the operating result which will be offset by higher interest expense.

The final impact will depend on various factors, such as the lease portfolio in place and interest rates prevailing at the transition date. Analysis of the impact will continue in the second half of 2018.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. OMV Petrom will initially apply IFRS 16 on January 1, 2019 using the modified retrospective approach for transition.

Changes in the consolidated Group

In Q2/18 OMV Petrom SA increased its interest in Kom Munai LLP (Kazakhstan) to 100%, by acquiring the remaining 5% non-controlling interest.

The detailed structure of the consolidated companies in OMV Petrom Group at June 30, 2018 is presented in Appendix 1 to the current report.

Seasonality and cyclicality

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 generally higher during the cold winter months. Electricity consumption is also generally higher during winter as a supplementary measure to produce heat and due to fewer daylight hours and the need for more artificial lighting. However, during very hot summer periods, the increased usage of air cooling systems can also significantly increase electricity consumption. Natural gas sales and electricity generation may also be significantly affected by climatic conditions, such as unusually hot or cold temperatures. Consequently, 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 six month period ended June 30, 2018 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.

Q2/18	Q1/18	Q2/17	Δ%[1]	NBR FX rates	6m/18	6m/17	Δ%
4.652	4.655	4.552	2	Average EUR/RON FX rate	4.654	4.537	3
3.904	3.786	4.138	(6)	Average USD/RON FX rate	3.844	4.193	(8)
4.661	4.658	4.554	2	Closing EUR/RON FX rate	4.661	4.554	2
4.003	3.778	3.992	0	Closing USD/RON FX rate	4.003	3.992	0

[1] *Q2/18 vs. Q2/17*

Notes to the income statement

Revenues

in RON mn	6m/18
Revenues from contracts with customers	9,926.05
Revenues from other sources	(75.31)
Total sales revenues	**9,850.74**

Other revenues 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

in RON mn						6m/18
	Upstream	Downstream	thereof Downstream Oil	thereof Downstream Gas	Corporate & Other	Total
Crude oil and NGL	222.63	66.16	66.16	-	-	288.79
Natural gas, LNG and power	2.80	2,225.09	4.83	2,220.26	-	2,227.89
Fuels and heating oil	-	5,771.78	5,771.78	-	-	5,771.78
Other goods and services	26.99	1,598.73	1,597.33	1.40	11.87	1,637.59
Total	**252.42**	**9,661.76**	**7,440.10**	**2,221.66**	**11.87**	**9,926.05**

Income tax

Q2/18	Q1/18	Q2/17	In RON mn	6m/18	6m/17
132.32	**163.27**	**123.05**	**Taxes on income**	**295.59**	**246.79**
109.48	168.31	119.58	Current taxes	277.79	235.32
22.84	(5.04)	3.47	Deferred taxes – expense / (revenue)	17.80	11.47
23%	16%	17%	Group effective tax rate	19%	17%

Notes to the statement of financial position

Commitments

As at June 30, 2018 OMV Petrom Group's commitments for investments amounted to RON 1,249 mn (December 31, 2017: RON 978 mn).

Inventories

During the six months ended June 30, 2018, there were no material write downs of inventories.

Equity

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 2017 financial year for the gross amount of RON 1,133 mn (gross dividend per share of RON 0.020). Payment of the dividends started on June 19, 2018.

The total number of own shares held by the Company as of June 30, 2018 was 204,776 (December 31, 2017: 204,776).

Financial liabilities

As of June 30, 2018, short- and long-term interest bearing debts and finance leases amounted to RON 810 mn (December 31, 2017: RON 1,082 mn), thereof RON 180 mn liabilities for finance leases (December 31, 2017: RON 195 mn).

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.

	June 30, 2018				December 31, 2017			
Financial instruments on asset side (in RON mn)	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivatives designated and effective as hedging instruments	-	-	-	-	-	-	-	-
Other derivatives	-	23.28	-	**23.28**	-	7.86	-	7.86
Total	**-**	**23.28**	**-**	**23.28**	**-**	**7.86**	**-**	**7.86**

	June 30, 2018				December 31, 2017			
Financial instruments on liability side (in RON mn)	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Liabilities on derivatives designated and effective as hedging instruments	-	-	-	**-**	-	-	-	**-**
Liabilities on other derivatives	-	(170.52)	-	(170.52)	-	(56.96)	-	(56.96)
Total	**-**	**(170.52)**	**-**	**(170.52)**	**-**	**(56.96)**	**-**	**(56.96)**

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

Interest-bearing debts amounting to RON 631 mn (December 31, 2017: RON 887 mn) are valued at amortized cost. The estimated fair value of these liabilities was RON 637 mn (December 31, 2017: RON 894 mn). The carrying amount of all other financial assets and financial liabilities that were measured at amortized cost approximates their fair value.

Segment reporting

Intersegmental sales

Q2/18	Q1/18	Q2/17	Δ%[1]	in RON mn	6m/18	6m/17	Δ%
2,349.46	2,114.20	1,910.87	23	Upstream	4,463.66	3,847.35	16
60.51	54.68	55.85	8	Downstream [2]	115.19	122.26	(6)
40.52	25.71	17.46	132	thereof Downstream Oil	66.23	39.40	68
43.76	54.83	64.90	(33)	thereof Downstream Gas	98.59	143.62	(31)
(23.77)	(25.86)	(26.51)	10	thereof intersegmental elimination Downstream Oil and Downstream Gas	(49.63)	(60.76)	18
50.65	40.19	36.81	38	Corporate and Other	90.84	77.12	18
2,460.62	**2,209.07**	**2,003.53**	**23**	**Total**	**4,669.69**	**4,046.73**	**15**

[1] *Q2/18 vs. Q2/17;*
[2] *Sales Downstream = Sales Downstream Oil + Sales Downstream Gas – intersegmental elimination Downstream Oil and Downstream Gas*

Sales to external customers

Q2/18	Q1/18	Q2/17	Δ%[1]	in RON mn	6m/18	6m/17	Δ%
138.53	117.24	88.95	56	Upstream	255.77	201.47	27
4,827.58	4,747.28	4,511.11	7	Downstream	9,574.86	9,043.31	6
4,054.28	3,390.69	3,577.67	13	thereof Downstream Oil	7,444.97	6,792.98	10
773.30	1,356.59	933.44	(17)	thereof Downstream Gas	2,129.89	2,250.33	(5)
9.84	10.27	8.42	17	Corporate and Other	20.11	16.33	23
4,975.95	**4,874.79**	**4,608.48**	**8**	**Total**	**9,850.74**	**9,261.11**	**6**

[1] *Q2/18 vs. Q2/17*

Total sales (not consolidated)

Q2/18	Q1/18	Q2/17	Δ%[1]	in RON mn	6m/18	6m/17	Δ%
2,487.99	2,231.44	1,999.82	24	Upstream	4,719.43	4,048.82	17
4,888.09	4,801.96	4,566.96	7	Downstream [2]	9,690.05	9,165.57	6
4,094.80	3,416.40	3,595.13	14	thereof Downstream Oil	7,511.20	6,832.38	10
817.06	1,411.42	998.34	(18)	thereof Downstream Gas	2,228.48	2,393.95	(7)
(23.77)	(25.86)	(26.51)	10	thereof intersegmental elimination Downstream Oil and Downstream Gas	(49.63)	(60.76)	18
60.49	50.46	45.23	34	Corporate and Other	110.95	93.45	19
7,436.57	**7,083.86**	**6,612.01**	**12**	**Total**	**14,520.43**	**13,307.84**	**9**

[1] *Q2/18 vs. Q2/17;*
[2] *Sales Downstream = Sales Downstream Oil + Sales Downstream Gas – intersegmental elimination Downstream Oil and Downstream Gas*

Segment and Group profit

Q2/18	Q1/18	Q2/17	Δ%[1]	in RON mn	6m/18	6m/17	Δ%
813.35	631.89	415.74	96	Operating Result Upstream	1,445.24	886.81	63
214.74	446.76	335.06	(36)	Operating Result Downstream	661.50	657.26	1
350.52	290.83	349.24	0	thereof Operating Result Downstream Oil	641.35	651.26	(2)
(135.78)	155.93	(14.18)	n.m.	thereof Operating Result Downstream Gas	20.15	6.00	236
(28.02)	(21.81)	(8.05)	(248)	Operating Result Corporate and Other	(49.83)	(29.47)	(69)
1,000.07	**1,056.84**	**742.75**	**35**	**Operating Result segment total**	**2,056.91**	**1,514.60**	**36**
(298.84)	23.18	36.25	n.m.	Consolidation: Elimination of intersegmental profits	(275.66)	62.71	n.m.
701.23	**1,080.02**	**779.00**	**(10)**	**OMV Petrom Group Operating Result**	**1,781.25**	**1,577.31**	**13**
(135.25)	**(62.67)**	**(64.57)**	**(109)**	**Net financial result**	**(197.92)**	**(121.01)**	**(64)**
565.98	**1,017.35**	**714.43**	**(21)**	**OMV Petrom Group profit before tax**	**1,583.33**	**1,456.30**	**9**

[1] *Q2/18 vs. Q2/17*

Assets[1]

in RON mn	June 30, 2018	December 31, 2017
Upstream	23,019.24	23,083.23
Downstream	6,547.83	6,211.02
thereof Downstream Oil	5,315.63	4,993.73
thereof Downstream Gas	1,232.20	1,217.29
Corporate and Other	448.94	460.38
Total	**30,016.01**	**29,754.63**

[1] *Segment assets consist of intangible assets and property, plant and equipment*

Other notes

Significant transactions with related parties
Significant transactions in the 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 Appendix 2.

Subsequent events

Following the agreement of the parties and subject to NAMR approval, OMV Petrom SA will take over the entire interest in all four joint operating agreements with Repsol. The ongoing projects, as well as the pending commitments according to the concession agreement will be fulfilled by OMV Petrom SA.

Declaration of the management

We confirm to the best of our knowledge that the unaudited interim condensed consolidated financial statements for the six-month period ended June 30, 2018 give a true and fair view of OMV Petrom Group's assets, liabilities, financial position and profit or loss, as required by the applicable accounting standards, and that the Directors' Report gives a true and fair view of important events that have occurred during the first six months of the 2018 financial year and their impact on the interim condensed consolidated financial statements, as well as a description of the principal risks and uncertainties.

Bucharest, August 2, 2018

The Executive Board

Christina Verchere
Chief Executive Officer
President of the Executive Board

Stefan Waldner
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

Neil Anthony Morgan
Member of the Executive Board
Downstream Oil

Further information

Abbreviation and definitions

ANRE	Romanian Energy Regulatory Authority
NAMR	National Agency for Mineral Resources
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
CEGH	Central European Gas Hub
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
OGMS	Ordinary General Meeting of Shareholders
HSSE	Health, Safety, Security and Environment
IFRSs; IASs	International Financial Reporting Standards; International Accounting Standards
LNG	Liquified natural gas
mn	million
MWh	megawatt hour
NBR	National Bank of Romania
Net debt/(cash)	Interest bearing debts plus finance lease liabilities less cash and cash equivalents
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.
Operating Result before depreciation	Former EBITD = Operating Result Before Interest, Taxes, Depreciation and amortization, impairments and write-ups of fixed assets, including reversals
OPEX	Operating Expenses
Q	quarter
ROACE	Return On Average Capital Employed = NOPAT (as a sum of current and last three quarters) divided by average Capital Employed (on a rolling basis, as an average of last four quarters) (%)
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 June 30, 2018

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.A. [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] 1 (one) share owned through OMV Petrom Marketing S.R.L.

Associated company, accounted for at equity	
OMV Petrom Global Solutions S.R.L.	25.00%

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

Appendix 2

Significant transactions with related parties

During the first six months of the financial year 2018, OMV Petrom Group had the following significant transactions with related parties and balances as of June 30, 2018:

Related party (in RON mn)	Purchases 6m/18	Balances payable June 30, 2018
OMV Petrom Global Solutions S.R.L.	228.58	71.70
OMV Supply & Trading Limited	196.81	0.49
OMV Refining & Marketing GmbH	150.56	66.18

Related party (in RON mn)	Revenues 6m/18	Balances receivable June 30, 2018
OMV Deutschland GmbH	169.48	33.19
OMV Refining & Marketing GmbH	72.60	18.19
OMV Gas Marketing & Trading GmbH	43.59	3.51

During the first six months of the financial year 2017, OMV Petrom Group had the following significant transactions with related parties and balances as of December 31, 2017:

Related party (in RON mn)	Purchases 6m/17	Balances payable December 31, 2017
OMV Supply & Trading Limited	693.52	92.33
OMV Petrom Global Solutions S.R.L.	211.67	0.97
OMV Refining & Marketing GmbH	82.43	68.14

Related party (in RON mn)	Revenues 6m/17	Balances receivable December 31, 2017
OMV Supply & Trading Limited	309.64	-
OMV Deutschland GmbH	145.02	44.27
OMV Refining & Marketing GmbH	69.59	22.66

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

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Next release: The next results announcement for January – September and Q3 2018 will be released on October 31, 2018, presenting OMV Petrom consolidated results prepared according to IFRS.