



Investor News

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OMV Petrom S.A.

OMV Petrom Group: results ¹ for Q2 and January – June 2017

including interim condensed consolidated financial statements as of and for the period ended June 30, 2017

Highlights Q2/17

- ▶ **Strong free cash flow after dividends of RON 397 mn**
- ▶ **Clean CCS Operating Result at RON 892 mn, equally contributed by Upstream and Downstream**
- ▶ **Excellent clean CCS EPS at RON 0.0122**

Mariana Gheorghe, CEO of OMV Petrom S.A.:

“In the first six months of 2017, we converted favorable market conditions into solid operational and financial performance. We were supported by increased oil prices, strong refining margins and higher demand for all our products. In addition, we continued our strict cost discipline. As a result, our 6m/17 Clean CCS Operating Result reached RON 1.66 bn, with both Upstream and Downstream showing significant increases. In Upstream, further reduced production cost per barrel fully offset the production decline. Downstream Clean CCS Operating Result increased by 70% yoy on better contributions from both Oil and Gas. Operating cash flow of RON 3 bn, up 68% yoy, combined with CAPEX reduction and RON 0.8 bn dividend payment, led to a free cash flow after dividends of RON 1 bn.

We revised down our 2017 CAPEX guidance to EUR 0.7 bn from EUR 0.8 bn, due to wells portfolio optimizations, savings and project revisions; nevertheless, we are prepared for a ramp up in investments in the second half of 2017, especially given our strong balance sheet. We maintained the guidance for the daily average production decline of around 3% yoy, not including portfolio optimization initiatives.

In July, we signed the contract for the sale of Dorobantu wind park, as part of our strategy to focus on core activities. In addition, we resumed operations at the Brazi power plant, at half capacity, on July 5.

On August 1, the transfer of 19 marginal fields took place. A new round of divestments was initiated in line with our strategic direction of value over volume.”

Q2/17	Q1/17	Q2/16	Δ% ²	Key performance indicators (in RON mn)	6m/17	6m/16	Δ%
892	767	231	285	Clean CCS Operating Result ³	1,659	643	158
779	798	220	254	Operating Result ⁴	1,577	566	179
690	586	127	443	Clean CCS net income attributable to stockholders ^{3,5,6}	1,276	458	179
592	619	118	403	Net income attributable to stockholders ⁵	1,210	408	196
0.0122	0.0103	0.0022	443	Clean CCS EPS (RON) ^{3,5,6}	0.0225	0.0081	179
0.0104	0.0109	0.0021	403	Earnings Per Share (RON) ⁵	0.0214	0.0072	196
1,714	1,262	883	94	Cash flow from operating activities	2,976	1,771	68
397	646	130	205	Free cash flow after dividends	1,043	12	n.m.

¹The 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 closest integer value, so minor differences may result upon reconciliation; OMV Petrom uses the National Bank of Romania exchange rates for its consolidation process

² Q2/17 vs. Q2/16

³ Adjusted for exceptional, non-recurring items; Clean CCS figures exclude special items and inventory holding effects (CCS effects) resulting from Downstream Oil

⁴ Income statement has been restructured in line with industry best practice. Further information to be found on page 18

⁵ After deducting net result attributable to non-controlling interests

⁶ Excludes additional special income from a legal dispute reflected in the financial result



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Directors' report (condensed, unaudited)

Financial highlights

Q2/17	Q1/17	Q2/16	Δ% ¹	in RON mn	6m/17	6m/16	Δ%
4,608	4,653	3,733	23	Sales ²	9,261	7,382	25
892	767	231	285	Clean CCS Operating Result³	1,659	643	158
447	460	210	113	Clean Operating Result Upstream ^{3,4}	907	137	n.m.
431	311	135	219	Clean CCS Operating Result Downstream ³	742	437	70
(8)	(21)	(6)	(36)	Clean Operating Result Co&O ³	(29)	(19)	(50)
22	17	(108)	n.m.	Consolidation	39	88	(55)
17	17	12	41	Clean Group effective tax rate (%)	17	18	(5)
690	586	126	447	Clean CCS net income ³	1,275	458	181
690	586	127	443	Clean CCS net income attributable to stockholders^{3,6,7}	1,276	458	179
0.0122	0.0103	0.0022	443	Clean CCS EPS (RON) ^{3,6,7}	0.0225	0.0081	179
892	767	231	285	Clean CCS Operating Result³	1,659	643	158
(81)	5	(55)	(47)	Special items⁵	(77)	56	n.m.
(32)	26	44	n.m.	CCS effects: Inventory holding gains/(losses)	(5)	(133)	96
779	798	220	254	Operating Result Group	1,577	566	179
416	471	151	175	Operating Result Upstream ⁴	887	71	n.m.
335	322	275	22	Operating Result Downstream	657	634	4
(8)	(21)	(6)	(41)	Operating Result Co&O	(29)	(19)	(52)
36	26	(200)	n.m.	Consolidation	63	(120)	n.m.
(65)	(56)	(88)	27	Net financial result	(121)	(91)	(33)
714	742	132	442	Profit before tax	1,456	475	207
17	17	12	49	Group effective tax rate (%)	17	15	15
591	618	117	407	Net income	1,210	405	199
592	619	118	403	Net income attributable to stockholders⁶	1,210	408	196
0.0104	0.0109	0.0021	403	Earnings Per Share (RON) ⁶	0.0214	0.0072	196
1,714	1,262	883	94	Cash flow from operating activities	2,976	1,771	68
397	646	130	205	Free cash flow after dividends	1,043	12	n.m.
(1,302)	(872)	1,261	n.m.	Net debt/(cash)	(1,302)	1,261	n.m.
n.m.	n.m.	5	n.m.	Gearing ratio (%) ⁸	n.m.	5	n.m.
560	353	568	(1)	Capital expenditure	913	1,337	(32)
7.7	5.5	5.1	50	Clean CCS ROACE (%) ^{3,7}	7.7	5.1	50
7.1	5.3	(4.4)	n.m.	ROACE (%)	7.1	(4.4)	n.m.
14,332	14,532	15,237	(6)	OMV Petrom Group employees at the end of the period	14,332	15,237	(6)

Figures in this and the following tables may not add up due to rounding differences.

¹ Q2/17 vs. Q2/16

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; starting with Q1/17, 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;

⁸ Net debt divided by equity.

Throughout the report, where not specified differently, amounts related to Downstream represent totals of Downstream Oil and Downstream Gas.

Group performance

Second quarter 2017 (Q2/17) vs. second quarter 2016 (Q2/16)

Consolidated sales increased by 23% compared to Q2/16 supported by higher oil prices and increased gas and petroleum products sales volumes. Despite the Brazi power plant being offline for almost the entire Q2/17 period, the volumes sold in Q2/17 were similar to those in Q2/16, supported by favorable market conditions. Downstream Oil represented 78% of total consolidated sales, while Downstream Gas accounted for 20% and Upstream for 2% (sales in Upstream being largely intra-group sales rather than third-party sales).

Clean CCS Operating Result of RON 892 mn improved compared to RON 231 mn in Q2/16, as a consequence of a more favorable market environment and higher demand. **Clean Group effective tax rate** was 17% (Q2/16: 12%). **Clean CCS net income attributable to stockholders** was RON 690 mn (Q2/16: RON 127 mn).

Special items comprise net charges of RON (81) mn, while **inventory holding losses** amounted to RON (32) mn in Q2/17. In Q2/16, net special charges amounted to RON (55) mn and inventory holding gains were RON 44 mn.

Reported Operating Result for Q2/17 increased to RON 779 mn, compared to RON 220 mn in Q2/16, driven mainly by higher sales revenues, the elimination of the tax on special constructions starting 2017 and lower exploration expenses compared with Q2/16 following lower write-offs of exploration assets.

Net financial result improved from a loss of RON (88) mn in Q2/16 to a loss of RON (65) mn in Q2/17 mainly due to lower FX negative effect in relation to bank loans denominated in EUR.

As a result, **profit before tax** for Q2/17 of RON 714 mn was significantly higher compared with RON 132 mn recorded in Q2/16.

Income tax amounted to RON (123) mn, while the effective tax rate was 17% in Q2/17 (Q2/16: 12%).

Net income attributable to stockholders of the parent was RON 592 mn (Q2/16: RON 118 mn).

Cash flow from operating activities amounted to RON 1,714 mn, which is significantly higher compared to Q2/16 (RON 883 mn), mainly reflecting the substantially higher operating result supported by favorable market conditions and the positive effect from net working capital. **Free cash flow after dividends** resulted in a cash inflow of RON 397 mn (Q2/16: RON 130 mn).

Capital expenditure from Q2/17 (RON 560 mn) is in line with that from Q2/16 (RON 568 mn). Upstream investments in Q2/17 were RON 474 mn, compared to RON 354 mn in Q2/16. Downstream investments amounted to RON 86 mn (Q2/16: RON 212 mn), thereof RON 77 mn in Downstream Oil (Q2/16: RON 206 mn). Corporate and Other CAPEX was null (Q2/16: RON 2 mn).

January to June 2017 (6m/17) vs. January to June 2016 (6m/16)

Consolidated sales of RON 9,261 mn for 6m/17 increased by 25% compared to 6m/16, spurred by significantly higher crude oil prices and higher volumes of petroleum products, natural gas and electricity, but partially offset by lower average selling prices for natural gas. Downstream Oil represented 73% of total consolidated sales, Downstream Gas accounted for 24% and Upstream for 2% (sales in Upstream being largely intra-group sales rather than third party sales).

Clean CCS Operating Result increased to RON 1,659 mn in 6m/17 (6m/16: RON 643 mn), reflecting the more improved oil price environment and higher volumes sold. **Clean Group effective tax rate** was 17% (6m/16: 18%). **Clean CCS net income attributable to stockholders** was RON 1,276 mn (6m/16: RON 458 mn).

Special items comprise net charges of RON (77) mn (6m/16: net special income RON 56 mn) and **inventory holding losses** amounted to RON (5) mn (6m/16: RON (133) mn).

Group Operating Result amounted to RON 1,577 mn (6m/16: RON 566 mn), which significantly improved on the basis of favorable crude oil price development and also due to lower exploration costs and the elimination of the tax on special constructions starting in 2017.

Net financial result deteriorated to RON (121) mn (6m/16: RON (91) mn), as the previous year benefitted from the positive outcome of the company's appeal to the fiscal review decision in the Kazakh branch.

As a result, **profit before tax** for 6m/17 of RON 1,456 mn was significantly higher compared with RON 475 mn recorded in 6m/16.

Income tax amounted to RON (247) mn, while the effective tax rate was 17% in 6m/17 (6m/16: 15%).

Net income attributable to stockholders of the parent was RON 1,210 mn (6m/16: RON 408 mn).

Cash flow from operating activities amounted to RON 2,976 mn, which was significantly higher compared to 6m/16 (RON 1,771 mn), reflecting the substantially higher operating result supported by the favorable crude oil price development. **Free cash flow after dividends** resulted in a cash inflow of RON 1,043 mn (6m/16: RON 12 mn).

Capital expenditure decreased to RON 913 mn in 6m/17 (6m/16: RON 1,337 mn) impacted by the substantially reduced CAPEX in Upstream segment.

Upstream investments in 6m/17 were RON 797 mn, compared to RON 1,064 mn in 6m/16. Downstream investments amounted to RON 115 mn (6m/16: RON 271 mn), thereof RON 105 mn in Downstream Oil (6m/16: RON 263 mn). Corporate and Other CAPEX was RON 1 mn (6m/16: RON 3 mn).

Due to the significant cash balance at June 30, 2017, OMV Petrom Group maintained a **net cash** position of RON 1,302 mn (December 31, 2016: RON 237 mn).

Cash flow

Q2/17	Q1/17	Q2/16	Δ% ¹	Summarized cash-flow statement (in RON mn)	6m/17	6m/16	Δ%
1,438	1,438	1,003	43	Sources of funds	2,877	1,945	48
1,714	1,262	883	94	Cash flow from operating activities	2,976	1,771	68
(475)	(616)	(753)	37	Cash flow from investing activities	(1,091)	(1,759)	38
1,239	646	130	n.m.	Free cash flow	1,884	12	n.m.
(952)	9	(59)	n.m.	Cash flow from financing activities	(943)	(101)	n.m.
(1)	(0)	0	n.m.	Effect of exchange rates on cash and cash equivalents	(1)	1	n.m.
286	655	71	302	Net increase / (decrease) in cash and cash equivalents	941	(88)	n.m.
2,651	1,996	653	306	Cash and cash equivalents at beginning of the period	1,996	813	146
2,937	2,651	724	305	Cash and cash equivalents at end of the period	2,937	724	305
397	646	130	205	Free cash flow after dividends	1,043	12	n.m.

¹ Q2/17 vs. Q2/16

Second quarter 2017 (Q2/17) vs. second quarter 2016 (Q2/16)

In Q2/17, 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 1,438 mn (Q2/16: RON 1,003 mn). **Net working capital** also generated a cash inflow of RON 275 mn (Q2/16: outflow of RON 120 mn). **Cash flow from operating activities** increased by RON 831 mn compared to Q2/16, reaching RON 1,714 mn, mainly as a result of favorable market environment.

In Q2/17, **Cash flow from investing activities** resulted in an outflow of RON 475 mn (Q2/16: RON 753 mn) mainly related to payments for investments in intangible assets and property, plant and equipment, largely in the Upstream segment.

Free cash flow (defined as cash flow from operating activities less cash flow from investing activities) showed an inflow of funds of RON 1,239 mn (Q2/16: RON 130 mn). **Free cash flow less dividend payments** resulted in a cash inflow of RON 397 mn (Q2/16: RON 130 mn).

Cash flow from financing activities implied an outflow of funds amounting to RON 952 mn (Q2/16: RON 59 mn), mainly arising from payment of dividends of RON 841 mn.

January to June 2017 (6m/17) vs. January to June 2016 (6m/16)

In 6m/17, 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 2,877 mn (6m/16: RON 1,945 mn). **Net working capital** also generated a cash inflow of RON 99 mn (6m/16: outflow of RON 174 mn). **Cash flow from operating activities** increased by RON 1,205 mn compared to 6m/16, reaching RON 2,976 mn, reflecting the significantly higher operating result supported by the favorable crude oil price development.

In 6m/17, **cash flow from investing activities** resulted in an outflow of RON 1,091 mn (6m/16: RON 1,759 mn) mainly related to payments for investments in intangible assets and property, plant and equipment, largely in the Upstream segment.

Free cash flow (defined as cash flow from operating activities less cash flow from investing activities) showed an inflow of funds of RON 1,884 mn (6m/16: RON 12 mn). **Free cash flow less dividend payments** resulted in a cash inflow of RON 1,043 mn (6m/16: RON 12 mn).

Cash flow from financing activities reflected an outflow of funds amounting to RON 943 mn (6m/16: RON 101 mn), mainly arising from payment of dividends of RON 841 mn and repayment of the tranches from the loans from the European Investment Bank and the European Bank for Reconstruction and Development.

Risk management

The scope of OMV Petrom's business activity, both existing and planned, and the markets in which the company operates inherently expose it to significant commodity price, foreign exchange, operational and other risks. A detailed description of risks and risk management activities can be found in the 2016 Annual Report (pages 55-57).

In 2017, the main uncertainties which could impact the company's performance remain the commodity price risk, operational risks as well as political and regulatory risk. The commodity price risk is being monitored

constantly for developments and, if appropriate, protective measures are taken (e.g. entering into hedging agreements).

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

In terms of political and regulatory risk, the company is in dialogue with the Romanian authorities on topics of relevance for the industry.

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

Outlook for the full year 2017

Market, regulatory and fiscal environment

- ▶ For the year 2017, OMV Petrom expects the **average Brent oil price** to be at USD 52/bbl (previous forecast: USD 55/bbl). Brent-Urals spread anticipated to slightly decrease yoy;
- ▶ In Romania, we expect increased **demand** for gas and fuels and a slight increase for power versus 2016;
- ▶ **Refining margins** are projected to be higher than in 2016;
- ▶ **Taxation:**
 - Further developments are expected with respect to **Upstream oil and gas taxation**, with public consultations still to take place;
 - A stable, predictable and investment-friendly fiscal and regulatory framework is a key requirement for our future investments, both onshore and offshore.

OMV Petrom Group

- ▶ OMV Petrom expects to generate a **positive free cash flow after dividends**, through continuous cost discipline and supported by favorable market environment;
- ▶ **CAPEX** (including capitalized exploration and appraisal) currently anticipated to be around EUR 0.7 bn, reduced from EUR 0.8 bn, of which around 85% in Upstream;
- ▶ **Exploration expenditure** is expected to be in line with the previous year;
- ▶ We aim for a **sustainable cost base** with potential upside from ongoing efficiency programs.

Upstream

- ▶ **Portfolio optimization:** 19 marginal fields transferred to Mazarine as of August 1st; further field divestments initiated;
- ▶ **Daily average production:** decline around 3% yoy, not including portfolio optimization initiatives;
- ▶ **Production and development:** estimated 1,000 workovers and around 70 new wells for 2017;
- ▶ **Exploration:** ten wells planned to be spudded until year end.

Downstream

- ▶ We expect to maintain a **refinery utilization** rate above 90%;
- ▶ We expect relatively similar **gas sales volumes** compared to 2016; pressure on margins remains high;
- ▶ We estimate relatively stable **net electrical output** vs. 2016 and good spark spreads;
- ▶ **The Brazi power plant** resumed operations at half capacity on July 5, after installation of a new steam turbine transformer, and is expected to become fully operational in November 2017, after acquisition of a new gas turbine transformer;
- ▶ **Dorobantu wind park divestment:** contract for the sale was signed mid-July; completion of the transaction is subject to customary conditions precedent, including approval from the Competition Council, and is expected by end of this year.

Business segments

Upstream

Q2/17	Q1/17	Q2/16	Δ% ¹	in RON mn	6m/17	6m/16	Δ%
1,054	1,058	871	21	Clean Operating Result before depreciation	2,112	1,447	46
447	460	210	113	Clean Operating Result ²	907	137	n.m.
(31)	11	(58)	47	Special items	(20)	(66)	70
416	471	151	175	Operating Result ²	887	71	n.m.
474	324	354	34	Capital expenditure	797	1,064	(25)
37	41	(34)	n.m.	Exploration expenditures	78	242	(68)
19	51	87	(78)	Exploration expenses	70	144	(51)
10.42	10.52	11.98	(13)	OPEX (USD/boe) ³	10.47	12.02	(13)

Q2/17	Q1/17	Q2/16	Δ% ¹	Key performance indicators	6m/17	6m/16	Δ%
15.42	15.31	16.14	(4)	Total hydrocarbon production (mn boe)	30.73	32.08	(4)
169	170	177	(4)	Total hydrocarbon production (kboe/d) ⁴	170	176	(4)
6.96	6.85	7.36	(6)	Crude oil and NGL production (mn bbl)	13.81	14.73	(6)
1.30	1.29	1.34	(4)	Natural gas production (bcm)	2.59	2.66	(3)
45.74	45.69	47.43	(4)	Natural gas production (bcf)	91.42	93.79	(3)
14.6	14.3	15.1	(4)	Total hydrocarbon sales volume (mn boe)	28.9	30.0	(4)
48.49	52.21	43.91	10	Average Urals price (USD/bbl)	50.40	38.14	32
41.59	45.09	36.86	13	Average Group realized crude price (USD/bbl)	43.33	31.77	36

¹ Q2/17 vs. Q2/16;

² Excluding intersegmental profit elimination;

³ OMV Petrom aligned the production cost definition with its industry peers. Administrative expenses and selling and distribution costs are excluded from 2017 onwards. All 2016 OPEX figures were re-calculated accordingly;

⁴ Production figures in kboe/d are rounded.

Second quarter 2017 (Q2/17) vs. second quarter 2016 (Q2/16)

- ▶ **Strong Clean Operating Result influenced by higher oil prices and lower OPEX**
- ▶ **Daily production decreased by 4%, due to natural decline, surface works and adverse weather impact**
- ▶ **OPEX in USD/boe down 13% mainly driven by the elimination of the tax on special constructions and cost efficiency measures**

Clean Operating Result improved to RON 447 mn, mainly driven by higher oil prices, lower production costs and depreciation and favorable FX effects (USD 4% stronger against RON), partly offset by lower oil and gas volumes and higher royalties.

In both Q2/17 and Q2/16 the **reported Operating Result** was impacted by special items, mainly in relation to restructuring provisions, while Q2/16 was also influenced by impairments of exploration assets.

Group **production costs** (OPEX) in USD/boe were 13% lower than in Q2/16, mainly due to the abolition of the tax on special constructions, favorable FX rates, lower services and personnel costs, partly offset by lower production available for sale. In Romania, production costs in USD/boe decreased by 14% to USD 10.46/boe, while in RON terms, they decreased to RON 43.21/boe, 11% below the Q2/16 level.

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

In **Romania**, daily hydrocarbon **production** was 161.7 kboe/d and total production stood at 14.71 mn boe. Crude oil and NGL production in Romania was 6.3 mn bbl, 5% lower than in Q2/16. This mainly reflected natural decline and the adverse weather impact. Gas production in Romania decreased by 3% to 8.41 mn boe (Q2/16: 8.70 mn boe) due to natural decline and the impact of maintenance activities in Totea Deep, despite the positive impact coming from the offshore Lebada Est NAG compression project.

In **Kazakhstan**, total production amounted to 0.71 mn boe, 9% lower compared to the same period of 2016, mainly due to workovers at key wells and natural decline.

Group hydrocarbon **sales volumes** decreased by 4% compared to Q2/16, due to lower volumes available for sale in both Romania and Kazakhstan.

Exploration expenses decreased to RON 19 mn in Q2/17, as Q2/16 was impacted by higher impairments of exploration assets.

Investments in Upstream activities were 34% above the Q2/16 level, mainly due to the higher number of wells drilled and workovers performed, but also due to further progress of offshore and onshore safety projects as well as due to Neptun project, despite the finalization of some FRD projects in 2016.

Exploration expenditures increased to RON 37 mn, as activities in the Neptun Deep block continued.

January to June 2017 (6m/17) vs. January to June 2016 (6m/16)

Clean Operating Result increased to RON 907 mn, mainly due to higher oil prices, lower production costs and depreciation and favorable FX rates (USD 4% stronger against RON), partially offset by lower volumes, lower gas prices and higher royalties.

Reported Operating Result increased to RON 887 mn in 6m/17. Both periods were impacted by personnel restructuring charges, while 6m/16 also included write-offs of exploration assets.

Group **production costs** (OPEX) in USD/boe were 13% lower than in 6m/16, mainly due to the abolition of the tax on special constructions, favorable FX rates, and lower personnel and services costs, partly offset by lower production available for sale. Production costs in Romania expressed in USD terms dropped by 14% to USD 10.48/boe, while in RON terms they decreased by 11% to RON 43.90/boe.

Group oil and gas production amounted to 30.73 mn boe. In **Romania** total oil and gas production was 29.39 mn boe, 4% lower compared to 6m/16 (6m/16: 30.50 mn boe). Crude oil and NGL production in Romania was 12.57 mn bbl, 5% lower compared to 6m/16, mainly due to the natural decline and bad weather impact. Gas production in Romania decreased by 2% to 16.82 mn boe, due to the natural decline in main gas fields (Totea, Bulbuceni) and maintenance activities in Totea Deep, despite the successful workovers and increased contribution from the Lebada Est NAG project. Oil and gas production in **Kazakhstan** decreased by 15% to 1.34 mn boe.

Group hydrocarbon **sales volumes** decreased by 4% compared to 6m/16 due to lower quantities available for sale in both Romania and Kazakhstan.

In 6m/17, we finalized drilling of 20 new wells and sidetracks, out of which one exploration well.

Exploration expenses decreased to RON 70 mn, due to studies and related costs write-offs that were lower than the write-offs of exploration assets in 6m/16.

Investments in Upstream activities of RON 797 mn represented 87% of total Group's CAPEX for 6m/17, 25% below the 6m/16 level. This decrease was mainly due to the Neptun Deep project (drilling campaign finalized in January 2016) and the finalization of some FRD projects during 2016. Upstream investments were focused on workover activities, drilling development wells, offshore and onshore safety projects and Neptun Deep project.

Exploration expenditures decreased to RON 78 mn, as the exploration drilling activities in the Neptun Deep block were finalized in January 2016.

Downstream

Q2/17	Q1/17	Q2/16	Δ% ¹	in RON mn	6m/17	6m/16	Δ%
618	500	321	93	Clean CCS Operating Result before depreciation ²	1,118	799	40
431	311	135	219	Clean CCS Operating Result ²	742	437	70
395	280	166	138	thereof Downstream Oil	675	421	65
36	32	(31)	n.m.	thereof Downstream Gas	68	16	325
(50)	(6)	3	n.m.	Special items	(56)	121	n.m.
(46)	17	137	n.m.	CCS effect: Inventory holding gains/(losses) ²	(29)	75	n.m.
335	322	275	22	Operating Result	657	634	4
86	29	212	(59)	Capital expenditure	115	271	(58)

Q2/17	Q1/17	Q2/16	Δ% ¹	Key performance indicators Downstream Oil	6m/17	6m/16	Δ%
8.51	7.58	6.82	25	Indicator refining margin (USD/bbl) ³	8.03	7.43	8
1.13	1.10	0.81	40	Refining input (mn t) ⁴	2.23	1.91	17
94	95	68	38	Refinery utilization rate (%)	95	81	17
1.28	1.13	1.13	13	Total refined product sales (mn t)	2.41	2.27	6
0.68	0.57	0.63	7	thereof retail sales volumes (mn t) ⁵	1.25	1.19	6
				Key performance indicators Downstream Gas			
11.79	15.50	10.75	10	Gas sales volumes (TWh)	27.29	24.75	10
11.33	13.75	9.67	17	thereof to third parties (TWh)	25.08	22.55	11
0.16	0.75	0.48	(67)	Net electrical output (TWh)	0.91	0.91	0
187	249	128	45	OPCOM spot average electricity base load price (RON/MWh)	218	134	62

¹ Q2/17 vs. Q2/16;

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 Group's filling stations in Romania, Bulgaria, Serbia and Moldova.

Second quarter 2017 (Q2/17) vs. second quarter 2016 (Q2/16)

- ▶ **Downstream Oil: Strong result influenced by favorable market conditions and last year's refinery turnaround base effect**
- ▶ **Group retail sales volumes higher by 7%; refinery utilization rate at 94%**
- ▶ **Downstream Gas: Higher gas sales volumes by 10%**
- ▶ **Lower net electrical output due to Brazi power plant being offline**

Clean CCS Operating Result increased to RON 431 mn in Q2/17 (Q2/16: RON 135 mn), reflecting the improved contribution of both the Downstream Oil and Downstream Gas segments. **Reported Operating Result** was RON 335 mn, reflecting special charges of RON (50) mn and negative CCS effects of RON (46) mn, due to lower quotations towards the end of the quarter, while the Q2/16 figure reflected net special income of RON 3 mn and inventory holding gains of RON 137 mn.

In Q2/17, **Downstream Oil Clean CCS Operating Result** increased to RON 395 mn, mainly reflecting the stronger refining environment and higher demand for products in all sales channels.

OMV Petrom indicator refining margin increased significantly to USD 8.51/bbl in Q2/17, as a result of better product spreads fully compensating the negative effect of the increased crude price. The **refinery utilization rate** was 94%, significantly exceeding the Q2/16 rate of 68% impacted by last year's turnaround.

Total **refined product sales** were substantially higher versus Q2/16 (13%). Group retail sales volumes, which accounted for 53% of total refined product sales, increased by 7% compared to Q2/16 as a result of the increased demand following fiscal easing measures implemented in Romania at the beginning of 2017. The Retail result was also supported by an excellent non-oil business contribution. Q2/17 non-retail sales volumes increased by 20% yoy impacted by lower product availability in Q2/16 due to the turnaround.

Downstream Gas Clean Operating result was RON 36 mn in Q2/17, compared to RON (31) mn in Q2/16, reflecting improved gas business performance, offset by Brazi power plant being offline; the Q2/17 result also reflected the booking of RON 73 mn insurance revenues related to the Brazi power plant.

As per OMV Petrom's estimates, national **gas** demand increased by more than 15% compared to Q2/16. Starting April 1, 2017, gas producers were released from the obligation to supply households with priority. Moreover, the ANRE is no longer setting the price at which domestic gas production is sold by producers, but continues to set the end prices for household consumers. On the Romanian centralized markets, the weighted average price¹ of natural gas for transactions closed in Q2/17 (39.2 TWh²) with delivery until end-Q3/18 was RON 72/ MWh².

In Q2/17, OMV Petrom's gas sales volumes went up by 10%, based on higher sales to wholesalers and the chemical industry, which compensated for the lower offtake by the Brazi power plant. On the centralized markets, OMV Petrom sold 11 TWh in Q2/17, with delivery until end-Q3/18, at an average price¹ in line with the market price. At the end of Q2/17, OMV Petrom had 0.8 TWh in storage, compared to 2.1 TWh at the end of Q2/16.

As per currently available information from the grid operator, national gross **electricity** production increased by 5% compared to the same quarter of 2016, while national demand increased by 7%; the net export balance decreased by 31%.

During April 21 – July 4 2017, the Brazi power plant was offline due to the steam turbine transformer failure, coupled with the previously announced failure of one gas turbine transformer. As such, the Brazi power plant generated a 71% lower net electrical output in Q2/17 yoy. Dorobantu wind park delivered a 12% higher output in Q2/17 yoy and received around 33,200 green certificates (Q2/16: around 25,400 green certificates, half of them eligible for sale after January 1, 2018).

Total **Downstream investments** amounted to RON 86 mn (Q2/16: RON 212 mn), thereof RON 77 mn in Downstream Oil (Q2/16: RON 206 mn). The decrease was due to a high base effect, with Q2/16 investments directed mostly to the Petrobrazi refinery turnaround.

January to June 2017 (6m/17) vs. January to June 2016 (6m/16)

Clean CCS Operating Result increased to RON 742 mn in 6m/17 (6m/16: RON 437 mn), reflecting the improved contribution of both the Downstream Oil and Downstream Gas segments. **Reported Operating Result** was RON 657 mn, reflecting negative CCS effects of RON (29) mn and special charges of RON (56) mn, while the 6m/16 figure reflected net special income of RON 121 mn and inventory holding gains of RON 75 mn.

Downstream Oil Clean CCS Operating Result reached RON 675 mn in 6m/17 driven by better refining margins, improved retail demand and the low base effect of the prior year turnaround at the Petrobrazi refinery. Higher non-oil business sales and cost optimization measures also positively contributed to the Downstream Oil Clean CCS Operating result.

OMV Petrom indicator refining margin increased to USD 8.03/bbl in 6m/17, as a result of better product spreads offsetting the negative effect of the increased crude price. **The refinery utilization rate** reached 95% compared to 81% in 6m/16, when it was impacted by the refinery turnaround.

Total refined product sales increased by 6% compared to 6m/16. Group retail sales volumes were up by 6% driven by higher demand as a result of favorable market conditions. Non-retail sales increased by 6% reflecting the base effect from prior year turnaround.

Downstream Gas Clean Operating result improved to RON 68 mn in 6m/17 from RON 16 mn in 6m/16, mainly reflecting better performance of the gas business and the RON 73 mn positive effect from Q2/17 related to Brazi power plant insurance.

As per OMV Petrom's estimates, Romania's **gas** demand in 6m/17 recorded an increase of more than 15% compared to 6m/16, mainly due to weather conditions. OMV Petrom's gas sales volumes went up by 10%.

According to currently available information, the national estimated **electricity** consumption increased by 5% in 6m/17 yoy, while the country's estimated electricity output went up by 6% as compared to 6m/16; the net exports increased by 28% yoy.

¹ The gas price for transactions on the Romanian centralized markets could include storage related tariffs in connection with the gas volumes sold/extracted from storage

² OMV Petrom estimates based on available public information

The Brazi power plant's net electrical output was overall stable versus 6m/16. The Dorobantu wind park's net electrical output was 0.05 TWh, for which OMV Petrom Wind Power S.R.L. received around 72,000 green certificates, out of which 15,600 will become eligible for sale after January 1, 2018 (6m/16: roughly 67,000 green certificates received, half of them eligible for sale after January 1, 2018).

Downstream investments amounted to RON 115 mn in 6m/17 (6m/16: RON 271 mn). Downstream Oil investments of RON 105 mn were significantly lower compared to RON 263 mn in 6m/16, as many of the refinery projects were finalized during the Q2/16 turnaround. In 6m/17, investments were mostly directed to the Polyfuel growth project and other projects (HSSE and maintenance) in the refinery, as well as to the retail activity in Romania.

Group interim condensed consolidated financial statements as of and for the period ended June 30, 2017 (unaudited)

Interim condensed consolidated income statement (unaudited)

Q2/17	Q1/17	Q2/16	in RON mn	6m/17	6m/16
4,608.48	4,652.63	3,732.68	Sales revenues	9,261.11	7,382.15
111.90	54.60	79.22	Other operating income	166.50	345.92
1.36	2.24	2.10	Net income from equity-accounted investments	3.60	5.33
4,721.74	4,709.47	3,814.00	Total revenues and other income	9,431.21	7,733.40
(1,596.89)	(1,560.70)	(1,027.31)	Purchases (net of inventory variation)	(3,157.59)	(2,095.69)
(792.37)	(791.25)	(937.82)	Production and operating expenses	(1,583.62)	(1,849.47)
(231.31)	(248.96)	(219.97)	Production and similar taxes	(480.27)	(463.10)
(809.18)	(762.32)	(852.51)	Depreciation, amortization and impairment charges	(1,571.50)	(1,656.11)
(456.94)	(460.94)	(463.19)	Selling, distribution and administrative expenses	(917.88)	(840.57)
(18.87)	(51.16)	(86.78)	Exploration expenses	(70.03)	(143.60)
(37.18)	(35.83)	(6.26)	Other operating expenses	(73.01)	(118.87)
779.00	798.31	220.16	Operating Result	1,577.31	565.99
14.05	24.15	14.49	Interest income	38.20	83.84
(69.46)	(70.40)	(85.31)	Interest expenses	(139.86)	(160.95)
(9.16)	(10.19)	(17.46)	Other financial income and expenses	(19.35)	(14.00)
(64.57)	(56.44)	(88.28)	Net financial result	(121.01)	(91.11)
714.43	741.87	131.88	Profit before tax	1,456.30	474.88
(123.05)	(123.74)	(15.24)	Taxes on income	(246.79)	(70.02)
591.38	618.13	116.64	Net income for the period	1,209.51	404.86
591.79	618.50	117.73	thereof attributable to stockholders of the parent	1,210.29	408.27
(0.41)	(0.37)	(1.09)	thereof attributable to non-controlling interests	(0.78)	(3.41)
0.0104	0.0109	0.0021	Basic earnings per share (RON)	0.0214	0.0072

Interim condensed consolidated statement of comprehensive income (unaudited)

Q2/17	Q1/17	Q2/16	in RON mn	6m/17	6m/16
591.38	618.13	116.64	Net income for the period	1,209.51	404.86
18.75	2.20	(0.06)	Exchange differences from translation of foreign operations	20.95	(1.82)
-	-	(2.74)	Gains/(losses) on hedges	-	(14.21)
18.75	2.20	(2.80)	Total of items that may be reclassified ("recycled") subsequently to the income statement	20.95	(16.03)
-	-	-	Re-measurement gains on defined benefit plans	-	-
-	-	-	Total of items that will not be reclassified ("recycled") subsequently to the income statement	-	-
16.73	2.88	(8.35)	Income tax relating to items that may be reclassified ("recycled") subsequently to the income statement	19.61	8.18
-	-	-	Income tax relating to items that will not be reclassified ("recycled") subsequently to the income statement	-	-
16.73	2.88	(8.35)	Total income taxes relating to components of other comprehensive income	19.61	8.18
35.48	5.08	(11.15)	Other comprehensive income/(loss) for the period, net of tax	40.56	(7.85)
626.86	623.21	105.49	Total comprehensive income for the period	1,250.07	397.01
623.29	622.95	108.39	thereof attributable to stockholders of the parent	1,246.24	399.30
3.57	0.26	(2.90)	thereof attributable to non-controlling interests	3.83	(2.29)

Interim condensed consolidated statement of financial position (unaudited)

in RON mn	June 30, 2017	December 31, 2016
Assets		
Intangible assets	2,611.79	2,535.87
Property, plant and equipment	27,533.85	28,325.55
Investments in associated companies	45.07	43.69
Other financial assets	2,625.47	2,592.93
Other assets	63.87	78.88
Deferred tax assets	1,542.40	1,552.27
Non-current assets	34,422.45	35,129.19
Inventories	1,961.03	1,950.01
Trade receivables	1,123.89	1,540.04
Other financial assets	294.19	211.07
Other assets	458.70	314.88
Cash and cash equivalents	2,936.92	1,996.00
Current assets	6,774.73	6,012.00
Assets held for sale	262.48	272.92
Total assets	41,459.66	41,414.11
Equity and liabilities		
Capital stock	5,664.41	5,664.41
Reserves	21,501.52	21,104.94
Stockholders' equity	27,165.93	26,769.35
Non-controlling interests	(59.40)	(63.16)
Total equity	27,106.53	26,706.19
Provisions for pensions and similar obligations	222.53	224.55
Interest-bearing debts	963.38	1,140.70
Provisions for decommissioning and restoration obligations	7,874.53	7,923.46
Other provisions	617.46	620.84
Other financial liabilities	160.76	177.25
Non-current liabilities	9,838.66	10,086.80
Trade payables	2,031.72	2,289.75
Interest-bearing debts	469.34	409.62
Income tax liabilities	140.29	130.57
Other provisions and decommissioning	762.48	729.27
Other financial liabilities	293.23	220.29
Other liabilities	681.34	705.80
Current liabilities	4,378.40	4,485.30
Liabilities associated with assets held for sale	136.07	135.82
Total equity and liabilities	41,459.66	41,414.11

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, 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

in RON mn	Share capital	Revenue reserves	Other reserves ¹	Treasury shares	Stockholders' equity	Non-controlling interests	Total Equity
January 1, 2016	5,664.41	20,059.80	18.94	(0.02)	25,743.13	(55.10)	25,688.03
Net income/(loss) for the period	-	408.27	-	-	408.27	(3.41)	404.86
Other comprehensive income/(loss) for the period	-	-	(8.97)	-	(8.97)	1.12	(7.85)
Total comprehensive income/(loss) for the period	-	408.27	(8.97)	-	399.30	(2.29)	397.01
Dividend distribution	-	-	-	-	-	(0.08)	(0.08)
Other increases	-	-	0.06	-	0.06	-	0.06
June 30, 2016	5,664.41	20,468.07	10.03	(0.02)	26,142.49	(57.47)	26,085.02

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)

Q2/17	Q1/17	Q2/16	Summarized statement of cash flows (in RON mn)	6m/17	6m/16
714.43	741.87	131.88	Profit before tax	1,456.30	474.88
11.32	(10.21)	(15.03)	Net change in provisions	1.11	(147.41)
(6.52)	(0.75)	(9.93)	Gains on the disposal of non-current assets	(7.27)	(8.33)
809.20	792.17	916.51	Depreciation, amortization and impairments including write-ups	1,601.37	1,746.97
(12.66)	(6.90)	(20.95)	Net interest paid	(19.56)	(33.46)
(126.77)	(92.19)	(25.42)	Tax on profit paid	(218.96)	(106.37)
49.44	14.38	26.12	Other non-monetary adjustments	63.82	18.93
1,438.44	1,438.37	1,003.18	Sources of funds ¹	2,876.81	1,945.21
(106.23)	48.62	(208.07)	(Increase)/Decrease in inventories	(57.61)	0.68
281.45	(27.05)	210.68	(Increase)/Decrease in receivables	254.40	32.53
100.08	(197.76)	(122.81)	(Decrease)/increase in liabilities	(97.68)	(207.16)
1,713.74	1,262.18	882.98	Cash flow from operating activities	2,975.92	1,771.26
(482.35)	(617.53)	(754.53)	Intangible assets and property, plant and equipment	(1,099.88)	(1,765.33)
7.13	1.32	1.92	Proceeds from sale of non-current assets	8.45	6.21
(475.22)	(616.21)	(752.61)	Cash flow from investing activities	(1,091.43)	(1,759.12)
(110.58)	9.04	(59.26)	Increase/(decrease) in borrowings	(101.54)	(100.43)
(841.19)	(0.05)	(0.22)	Dividends paid	(841.24)	(0.40)
(951.77)	8.99	(59.48)	Cash flow from financing activities	(942.78)	(100.83)
(0.72)	(0.07)	0.19	Effect of exchange rate changes on cash and cash equivalents	(0.79)	0.59
286.03	654.89	71.08	Net increase/(decrease) in cash and cash equivalents	940.92	(88.10)
2,650.89	1,996.00	653.38	Cash and cash equivalents at beginning of period	1,996.00	812.56
2,936.92	2,650.89	724.46	Cash and cash equivalents at end of period	2,936.92	724.46
1,238.52	645.97	130.37	Free cash flow	1,884.49	12.14
397.33	645.92	130.15	Free cash flow after dividends	1,043.25	11.74

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, 2017

Legal principles

The interim condensed consolidated financial statements as of and for the six month period ended June 30, 2017 (6m/17) 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, 2016.

The interim condensed consolidated financial statements for 6m/17 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/17 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 preparation of the interim condensed consolidated financial statements are consistent with those followed in preparation of the Group's annual consolidated financial statements for the year ended December 31, 2016.

The following amendments to standards have been effective since January 1, 2017. At the time of the preparation of these condensed interim financial statements, the EU endorsement is still pending, and these changes are not expected to have any material impact.

- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses;
- Amendments to IAS 7 Disclosure Initiative;
- Annual Improvements to IFRSs 2014–2016 Cycle.

New Income Statement structure

OMV Petrom's consolidated income statement has been restructured in line with industry best practice in order to better reflect the operations of the Group and enhance transparency for investors.

The main changes to the Consolidated Income Statement are:

1. **Net income/(loss) from equity-accounted investments** is now part of **"Total revenues and other income"**.
 - Previously, net income/(loss) from equity accounted investments was included within the net financial result;
 - Starting from Q1/17, the net income/(loss) from equity accounted investments is included in "Total revenues and other income" and contributes to the "Operating result". The **"Operating result"** includes the former indicator "Earnings Before Interest and Taxes" and the net result from equity-accounted investments. Thus, the "Operating result" reflects the operational result of OMV Petrom Group including contributions from associates (OMV Petrom Global Solutions SRL).
2. The line items **"purchases (net of inventory variation)"**, **"production and operating expenses"** and **"production and similar taxes"** are now shown separately.
 - These items were previously disclosed mainly within the line "production cost of sales";
 - Purchases (net of inventory variation): this line item includes cost of goods and materials that are used for conversion into finished or intermediary products, as well as goods purchased for reselling. This position also includes inventory changes and write-offs;
 - Production and operating expenses: this line item contains all costs incurred when manufacturing a good or providing a service;
 - Production and similar taxes: this line item contains production taxes, royalties and other taxes related to hydrocarbon production.
3. **"Selling, distribution and administrative expenses"** are now combined and reported in one line item.
 - These costs were previously disclosed as part of selling expenses and administrative expenses;
 - The new selling, distribution and administrative expenses line item includes all costs directly related to marketing and selling of products and administrative costs and also dealer commission costs which were previously presented as deduction from sales.

4. “**Depreciation, amortization and impairment charges**” are now disclosed as a separate line item.
- Previously, “depreciation, amortization and impairment charges” were included in “production cost of sales”, “selling expenses” and “administrative expenses”.
 - Impairments related to exploration assets remain part of “exploration expenses”.

For comparability reasons, figures of previous periods were restated.

Changes in the consolidated Group

Compared with the consolidated financial statements as of December 31, 2016, on April 3, 2017 was approved the sale of 100% shares in Tasbulat LLP from Tasbulat BVI to OMV Petrom S.A. and on May 24, 2017 was approved the sale of 1 (one) share in OMV Petrom Aviation S.A. from OMV Refining & Marketing GmbH to OMV Petrom Marketing S.R.L., both changes having an immaterial effect on the Group’s financials.

The detailed structure of the consolidated companies in OMV Petrom Group at June 30, 2017 is presented in the Appendix 1 to the current report.

Seasonality and cyclicity

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 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, 2017 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.

Q2/17	Q1/17	Q2/16	Δ% ¹	NBR FX rates	6m/17	6m/16	Δ%
4.552	4.522	4.498	1	Average EUR/RON FX rate	4.537	4.495	1
4.138	4.246	3.984	4	Average USD/RON FX rate	4.193	4.029	4
4.554	4.551	4.521	1	Closing EUR/RON FX rate	4.554	4.521	1
3.992	4.262	4.062	(2)	Closing USD/RON FX rate	3.992	4.062	(2)

¹ Q2/17 vs. Q2/16

Notes to the income statement

Income tax

Q2/17	Q1/17	Q2/16	In RON mn	6m/17	6m/16
123.05	123.74	15.24	Taxes on income	246.79	70.02
119.58	115.74	37.27	Current taxes	235.32	64.78
3.47	8.00	(22.03)	Deferred taxes – expense / (revenue)	11.47	5.24
17%	17%	12%	Group effective tax rate	17%	15%

Notes to the statement of financial position

Commitments

As at June 30, 2017 OMV Petrom Group had commitments for investments of RON 1,085 mn (December 31, 2016: RON 712 mn) mainly relating to exploration and production activities in Upstream.

Inventories

During the six months ended June 30, 2017, there were no material write downs of inventories.

Equity

At the Annual General Meeting of Shareholders held on April 25, 2017, the shareholders of OMV Petrom S.A. approved the distribution of dividends for the financial year 2016 for the gross amount of RON 850 mn (gross dividend per share of RON 0.015). Payment of the dividends started on June 12, 2017.

Financial liabilities

As of June 30, 2017, short- and long-term interest bearing debts and finance leases amounted to RON 1,635 mn (December 31, 2016: RON 1,759 mn), thereof RON 202 mn liabilities for finance leases (December 31, 2016: RON 209 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.

Financial instruments on asset side (in RON mn)	June 30, 2017				December 31, 2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Derivatives designated and effective as hedging instruments	-	-	-	-	-	-	-	-
Other derivatives	-	13.99	-	13.99	-	0.05	-	0.05
Total	-	13.99	-	13.99	-	0.05	-	0.05

Financial instruments on liability side (in RON mn)	June 30, 2017				December 31, 2016			
	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	-	(78.41)	-	(78.41)	-	(9.41)	-	(9.41)
Total	-	(78.41)	-	(78.41)	-	(9.41)	-	(9.41)

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

Interest-bearing debts amounting to RON 1,433 mn (December 31, 2016: RON 1,550 mn) are valued at amortized cost. The estimated fair value of these liabilities was RON 1,429 mn (December 31, 2016: RON 1,538 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

Q2/17	Q1/17	Q2/16	Δ% ¹	in RON mn	6m/17	6m/16	Δ%
1,910.87	1,936.48	1,772.86	8	Upstream	3,847.35	3,304.02	16
55.85	66.41	58.95	(5)	Downstream ²	122.26	128.34	(5)
17.46	21.94	16.64	5	thereof Downstream Oil	39.40	37.08	6
64.90	78.72	65.02	(0)	thereof Downstream Gas	143.62	152.17	(6)
(26.51)	(34.25)	(22.71)	(17)	thereof intersegmental elimination Downstream Oil and Downstream Gas	(60.76)	(60.91)	0
36.81	40.31	43.12	(15)	Corporate and Other	77.12	83.70	(8)
2,003.53	2,043.20	1,874.93	7	Total	4,046.73	3,516.06	15

¹ Q2/17 vs. Q2/16;

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

Sales to external customers

Q2/17	Q1/17	Q2/16	Δ% ¹	in RON mn	6m/17	6m/16	Δ%
88.95	112.52	105.17	(15)	Upstream	201.47	216.52	(7)
4,511.11	4,532.20	3,616.62	25	Downstream	9,043.31	7,147.45	27
3,577.67	3,215.31	2,812.55	27	thereof Downstream Oil	6,792.98	5,185.36	31
933.44	1,316.89	804.07	16	thereof Downstream Gas	2,250.33	1,962.09	15
8.42	7.91	10.89	(23)	Corporate and Other	16.33	18.18	(10)
4,608.48	4,652.63	3,732.68	23	Total	9,261.11	7,382.15	25

¹ Q2/17 vs. Q2/16;

Total sales (not consolidated)

Q2/17	Q1/17	Q2/16	Δ% ¹	in RON mn	6m/17	6m/16	Δ%
1,999.82	2,049.00	1,878.03	6	Upstream	4,048.82	3,520.54	15
4,566.96	4,598.61	3,675.57	24	Downstream ²	9,165.57	7,275.79	26
3,595.13	3,237.25	2,829.19	27	thereof Downstream Oil	6,832.38	5,222.44	31
998.34	1,395.61	869.09	15	thereof Downstream Gas	2,393.95	2,114.26	13
(26.51)	(34.25)	(22.71)	(17)	thereof intersegmental elimination Downstream Oil and Downstream Gas	(60.76)	(60.91)	0
45.23	48.22	54.01	(16)	Corporate and Other	93.45	101.88	(8)
6,612.01	6,695.83	5,607.61	18	Total	13,307.84	10,898.21	22

¹ Q2/17 vs. Q2/16;

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

Segment and Group profit

Q2/17	Q1/17	Q2/16	Δ% ¹	in RON mn	6m/17	6m/16	Δ%
415.74	471.07	151.29	175	Operating Result Upstream	886.81	71.29	n.m.
335.06	322.20	274.57	22	Operating Result Downstream	657.26	634.17	4
349.24	302.02	304.64	15	thereof Operating Result Downstream Oil	651.26	616.84	6
(14.18)	20.18	(30.07)	53	thereof Operating Result Downstream Gas	6.00	17.33	(65)
(8.05)	(21.42)	(5.69)	(41)	Operating Result Corporate and Other	(29.47)	(19.33)	(52)
742.75	771.85	420.17	77	Operating Result segment total	1,514.60	686.13	121
36.25	26.46	(200.01)	n.m.	Consolidation: Elimination of intersegmental profits	62.71	(120.14)	n.m.
779.00	798.31	220.16	254	OMV Petrom Group Operating Result	1,577.31	565.99	179
(64.57)	(56.44)	(88.28)	27	Net financial result	(121.01)	(91.11)	(33)
714.43	741.87	131.88	442	OMV Petrom Group profit before tax	1,456.30	474.88	207

¹ Q2/17 vs. Q2/16

Assets¹

in RON mn	June 30, 2017	December 31, 2016
Upstream	23,249.86	23,690.47
Downstream	6,425.18	6,689.54
thereof Downstream Oil	4,998.05	5,217.79
thereof Downstream Gas	1,427.13	1,471.75
Corporate and Other	470.60	481.41
Total	30,145.64	30,861.42

¹ Segment assets consist of intangible assets and property, plant and equipment

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.

Material changes in contingencies

In relation to the Bulgarian Commission for Protection of Competition (CPC) investigation initiated in 2016, on 30 March 2017 CPC terminated the proceedings against OMV Bulgaria OOD and the other companies without a finding of violation, on condition that they comply with specific commitments. OMV Bulgaria OOD is committed to designing and implementing internal regulations to achieve compliance with such commitments, which were presented to the CPC on April 28, 2017.

During Q2/17, the tax audit of OMV Petrom SA, having the oil and gas royalties for the period 2011–2015 as its scope, was closed without any findings.

Subsequent events

In July, OMV Petrom signed the contract for the sale of OMV Petrom Wind Power SRL. The completion of the transaction is subject to customary conditions precedent, including the approval from the Competition Council, and is expected by the end of 2017. The transaction will not have a material impact on the Group's net income since the disposal was already classified to assets and liabilities held for sale and is valued at the expected selling price less costs of disposal.

On August 1, the transfer of 19 marginal fields took place; the closing of the transaction is estimated to take place during Q3/17.

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, 2017 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 financial year 2017 and their impact on the interim condensed consolidated financial statements, as well as a description of the principal risks and uncertainties.

Bucharest, August 10, 2017

The Executive Board

Mariana Gheorghe
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



Lacramioara Diaconu-Pintea
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
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
CEO	Chief Executive Officer
Co&O	Corporate and Other
CAPEX	Capital expenditure
	Current cost of supply
	Inventory holding gains and losses represent the difference between the cost of sales calculated using the current cost of supply and the cost of sales calculated using the weighted average method after adjusting for any changes in valuation allowances, in case the net realizable value of the inventory is lower than its cost.
	In volatile energy markets, measurement of the costs of petroleum products sold based on historical values (e.g. weighted average cost) can have distorting effect on reported results (Operating Result, Net income, etc.).
CCS / CCS effects / Inventory holding gains / (losses)	The amount disclosed as CCS effects represents the difference between the charge to the income statement for inventory on a weighted average basis (adjusted for the change in valuation allowances related to realizable value) and the charge based on the current cost of supply.
	The current cost of supply is calculated monthly using data from our refinery's supply and production systems at Downstream Oil level.
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
FX	Foreign Exchange

Gearing ratio	Net debt divided by total equity (%)
HSSE	Health, Safety, Security and Environment
IFRSs; IASs	International Financial Reporting Standards; International Accounting Standards
mn	million
MWh	megawatt hour
NAG	Non-Associated Gas
NBR	National Bank of Romania
Net debt	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
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)
Special items	Special items are expenses and income reflected in the financial statements that are disclosed separately, as they are not part of underlying ordinary business operations. They are being disclosed separately in order to enable investors to better understand and evaluate OMV Petrom Group's reported financial performance.
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, 2017

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)	95.00%	OMV Petrom Aviation S.A. ¹	100.00%
Petrom Exploration & Production Ltd.	99.99%	Petrom Moldova S.R.L. (Republic of 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%
OMV Petrom Wind Power 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 2017, OMV Petrom Group had the following significant transactions with related parties (including significant balances as of June 30, 2017):

Related party (in RON mn)	Purchases 6m/17	Balances payable June 30, 2017
OMV Supply & Trading Limited	693.52	113.10
OMV Petrom Global Solutions S.R.L.	211.67	50.83
OMV Refining & Marketing GmbH	82.43	33.06

Related party (in RON mn)	Revenues 6m/17	Balances receivable June 30, 2017
OMV Supply & Trading Limited	309.64	2.78
OMV Deutschland GmbH	145.02	27.17
OMV Refining & Marketing GmbH	69.59	3.42

During the first six months of the financial year 2016, OMV Petrom Group had the following significant transactions with related parties (including significant balances as of December 31, 2016):

Related party (in RON mn)	Purchases 6m/16	Balances payable December 31, 2016
OMV Petrom Global Solutions S.R.L.	232.00	92.10
OMV Refining & Marketing GmbH	57.00	40.26
OMV Exploration & Production GmbH	2.85	14.26

Related party (in RON mn)	Revenues 6m/16	Balances receivable December 31, 2016
OMV Supply & Trading Limited	276.04	66.49
OMV Deutschland GmbH	70.31	30.16
OMV Trading GmbH	63.12	-
OMV International Services GmbH	0.71	20.80

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 2017 will be released on November 9, 2017, presenting OMV Petrom consolidated results prepared according to IFRS.

Disclaimer

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