

OMV PETROM S.A.

**INTERIM CONDENSED SEPARATE
FINANCIAL STATEMENTS**

**AS OF AND FOR THE SIX MONTH PERIOD ENDED
JUNE 30, 2020**

Prepared in accordance with Order of the Ministry of Public
Finance no. 2844/2016 approving the accounting
regulations compliant with the International Financial
Reporting Standards
(condensed, unaudited)

INCLUDING THE DIRECTORS' REPORT

CONTENTS	PAGE
INTERIM CONDENSED SEPARATE STATEMENT OF FINANCIAL POSITION	1 - 2
INTERIM CONDENSED SEPARATE INCOME STATEMENT	3
INTERIM CONDENSED SEPARATE STATEMENT OF COMPREHENSIVE INCOME	4
INTERIM CONDENSED SEPARATE STATEMENT OF CHANGES IN EQUITY	5
INTERIM CONDENSED SEPARATE STATEMENT OF CASH FLOWS	6
NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS	7 – 13
DIRECTORS' REPORT	14 -21

OMV PETROM S.A.
INTERIM CONDENSED SEPARATE STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2020

(all amounts are expressed in million RON, unless otherwise specified)

	June 30, 2020	December 31, 2019
ASSETS		
Intangible assets	3,153.25	3,121.64
Property, plant and equipment	25,426.06	25,594.27
Investments	1,896.99	1,896.99
Other financial assets	2,903.50	2,497.85
Other assets	220.52	203.92
Deferred tax assets	1,367.54	1,411.81
Non-current assets	34,967.86	34,726.48
Inventories	1,869.61	1,952.39
Trade receivables	1,249.06	1,857.34
Other financial assets	1,720.07	472.68
Other assets	257.78	369.66
Cash and cash equivalents	5,693.21	6,795.30
Current assets	10,789.73	11,447.37
Assets held for sale	218.51	217.20
Total assets	45,976.10	46,391.05
EQUITY AND LIABILITIES		
Share capital	5,664.41	5,664.41
Reserves	26,418.13	26,686.54
Total equity	32,082.54	32,350.95
Provisions for pensions and similar obligations	226.66	232.32
Interest-bearing debts	154.41	197.88
Lease Liabilities	365.09	399.78
Provisions for decommissioning and restoration obligations	6,283.38	6,390.38
Other provisions	590.76	582.07
Other financial liabilities	183.41	62.55
Other liabilities	13.42	13.89
Non-current liabilities	7,817.13	7,878.87

OMV PETROM S.A.
INTERIM CONDENSED SEPARATE STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2020

(all amounts are expressed in million RON, unless otherwise specified)

	June 30, 2020	December 31, 2019
Trade payables	1,771.43	2,665.96
Interest-bearing debts	1,552.29	1,510.04
Lease liabilities	123.22	111.24
Income tax liabilities	4.39	173.50
Other provisions and decommissioning	755.35	560.95
Other financial liabilities	980.65	324.04
Other liabilities	665.17	591.75
Current liabilities	5,852.50	5,937.48
Liabilities associated with assets held for sale	223.93	223.75
Total equity and liabilities	45,976.10	46,391.05

These interim condensed separate financial statements and accompanying notes, from page 1 to page 13, were approved on July 29th, 2020.

Christina Verchere
Chief Executive Officer
President of the Executive Board

Alina Popa
Chief Financial Officer
Member of the Executive Board

Peter Zeilinger
Member of the Executive Board
Upstream

Franck Neel
Member of the Executive Board
Downstream Gas

Radu Căprău
Member of the Executive Board
Downstream Oil

Irina Dobre
Vice President Finance Department

Nicoleta Drumea
Head of Financial Reporting

OMV PETROM S.A.
INTERIM CONDENSED SEPARATE INCOME STATEMENT
FOR THE SIX MONTHS AND THE THREE MONTHS ENDED JUNE 30, 2020
(all amounts are expressed in million RON, unless otherwise specified)

Q2 2020	Q2 2019		6 months 2020	6 months 2019
3,036.88	4,342.64	Sales revenues	8,059.34	8,618.50
90.61	22.20	Other operating income	286.22	182.45
562.20	512.85	Net income from consolidated subsidiaries and equity-accounted investments	562.20	521.98
3,689.69	4,877.69	Total revenues and other income	8,907.76	9,322.93
(1,084.35)	(1,417.62)	Purchases (net of inventory variation)	(3,158.69)	(2,640.57)
(723.08)	(783.54)	Production and operating expenses	(1,655.54)	(1,565.36)
(207.41)	(263.73)	Production and similar taxes	(527.24)	(579.91)
(776.61)	(787.81)	Depreciation, amortization and impairment charges	(1,557.98)	(1,490.97)
(176.97)	(210.50)	Selling, distribution and administrative expenses	(392.19)	(431.38)
(17.90)	(74.84)	Exploration expenses	(63.80)	(93.68)
(94.36)	(75.69)	Other operating expenses	(141.99)	(76.67)
609.01	1,263.96	Operating result	1,410.33	2,444.39
150.01	106.50	Interest income	203.67	205.03
(54.29)	(77.20)	Interest expenses	(170.96)	(153.04)
(21.62)	(1.13)	Other financial income and expenses	(16.75)	3.16
74.10	28.17	Net financial result	15.96	55.15
683.11	1,292.13	Profit before tax	1,426.29	2,499.54
(13.72)	(131.39)	Taxes on income	(119.46)	(278.30)
669.39	1,160.74	Net income for the period	1,306.83	2,221.24

OMV PETROM S.A.
INTERIM CONDENSED SEPARATE
STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS AND THE THREE MONTHS ENDED JUNE 30, 2020
(all amounts are expressed in million RON, unless otherwise specified)

<u>Q2 2020</u>	<u>Q2 2019</u>		<u>6 months 2020</u>	<u>6 months 2019</u>
669.39	1,160.74	Net income for the year	1,306.83	2,221.24
(112.09)	(1.28)	Gains/(losses) on hedges	302.13	(3.85)
(112.09)	(1.28)	Total of items that may be reclassified ("recycled") subsequently to the income statement	302.13	(3.85)
10.10	-	Gains/(losses) on hedges that are subsequently transferred to the carrying amount of the hedged item	(176.71)	-
10.10	-	Total of items that will not be reclassified ("recycled") subsequently to the income statement	(176.71)	-
17.94	0.21	Income tax relating to items that may be reclassified ("recycled") subsequently to the income statement	(48.34)	0.62
(1.62)	-	Income tax relating to items that will not be reclassified ("recycled") subsequently to the income statement	28.27	-
16.32	0.21	Total income tax relating to components of other comprehensive income	(20.07)	0.62
(85.67)	(1.07)	Other comprehensive income/(loss) for the year, net of tax	105.35	(3.23)
583.72	1,159.67	Total comprehensive income for the year	1,412.18	2,218.01

OMV PETROM S.A.
INTERIM CONDENSED SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2020
(all amounts are expressed in million RON, unless otherwise specified)

	Share capital	Revenue reserves	Cash flow hedge reserve	Other reserves	Treasury shares	Total equity
Balance at January 1, 2020	5,664.41	26,583.21	27.70	75.65	(0.02)	32,350.95
Net income for the period	-	1,306.83	-	-	-	1,306.83
Other comprehensive income for the period	-	-	105.35	-	-	105.35
Total comprehensive income for the period	-	1,306.83	105.35	-	-	1,412.18
Dividends distribution *)	-	(1,755.96)	-	-	-	(1,755.96)
Reclassification of cash flow hedges to balance sheet	-	-	75.37	-	-	75.37
Balance at June 30, 2020	5,664.41	26,134.08	208.42	75.65	(0.02)	32,082.54

*) At the Annual General Meeting of Shareholders held on April 27, 2020, the shareholders of OMV Petrom S.A. approved the distribution of dividends for the financial year 2019 for the gross amount of RON 1,756 mn (gross dividend per share of RON 0.031). Total dividends paid during 6m/20 amounted to RON 1,739 mn.

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

*) At the Annual General Meeting of Shareholders held on April 19, 2019, the shareholders of OMV Petrom S.A. approved the distribution of dividends for the financial year 2018 for the gross amount of RON 1,529 mn (gross dividend per share of RON 0.027). Total dividends paid during 6m/19 amounted to RON 1,514 mn.

OMV PETROM S.A.
INTERIM CONDENSED SEPARATE STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2020
(all amounts are expressed in million RON, unless otherwise specified)

	6 months 2020	6 months 2019
Profit before tax	1,426.29	2,499.55
Net change in provisions	153.60	42.28
Net gains on the disposal of non-current assets	(15.84)	(58.07)
Depreciation, amortization and impairments including write-ups	1,558.84	1,536.98
Dividend income	(562.20)	(521.98)
Dividends received	144.79	521.98
Net interest received	63.24	39.09
Tax on profit paid	(279.57)	(325.66)
Other non-monetary adjustments	(372.40)	(262.80)
Sources of funds	2,116.75	3,471.37
(Increase)/decrease in inventories	198.23	(264.77)
Increase in receivables and other assets	516.79	481.99
Decrease in liabilities	(254.86)	(165.75)
Cash flow from operating activities	2,576.91	3,522.84
Intangible assets and property, plant and equipment	(1,845.01)	(1,872.20)
Proceeds in relation to non-current assets	20.82	44.92
Proceeds from transfer of business	-	78.58
Net decrease in investments	-	124.27
Net increase in loans given to subsidiaries	(61.78)	(7.51)
Cash flow from investing activities	(1,885.97)	(1,631.94)
Net repayment of loans taken from subsidiaries	(1.36)	(522.69)
Net repayment of other borrowings	(55.56)	(222.82)
Dividends paid	(1,738.58)	(1,514.14)
Cash flow from financing activities	(1,795.50)	(2,259.65)
Effect of foreign exchange rate changes on cash and cash equivalents	2.47	0.70
Net decrease in cash and cash equivalents	(1,102.09)	(368.05)
Cash and cash equivalents at the beginning of the period	6,795.30	4,901.35
Cash and cash equivalents at the end of the period	5,693.21	4,533.30

OMV PETROM S.A.
NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020
(all amounts are expressed in million RON, unless otherwise specified)

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

1. Legal principles and general accounting policies

The interim condensed separate financial statements of OMV Petrom S.A. (the Company) as of and for the six-month period ended June 30, 2020 ("6m/20") have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed separate financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual separate financial statements as of December 31, 2019.

The interim condensed separate financial statements for 6m/20 are unaudited and an external review by an auditor was not performed.

The interim condensed separate financial statements for 6m/20 have been prepared in million RON (RON mn, RON 1,000,000). Accordingly there may be rounding differences.

The accounting policies and valuation methods adopted in the preparation of the interim condensed separate financial statements are consistent with those followed in the preparation of the Company's annual separate financial statements for the year ended December 31, 2019.

The amendments effective since January 1, 2020 do not have a material effect on the Company's interim condensed separate financial statements.

2. Exchange rates

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

All differences resulting from foreign currency amounts settlements are recognized in the income statement in the period they occurred. Unrealized foreign exchange gains and losses related to monetary items are recognized in the income statement for the reporting period.

<u>Q2 2020</u>	<u>Q2 2019</u>	NBR FX rates	<u>6 months 2020</u>	<u>6 months 2019</u>
4.837	4.748	Average EUR/RON FX rate	4.816	4.742
4.394	4.225	Average USD/RON FX rate	4.373	4.197
4.842	4.735	Closing EUR/RON FX rate	4.842	4.735
4.323	4.159	Closing USD/RON FX rate	4.323	4.159

3. Commitments

As at June 30, 2020 the total commitments engaged by OMV Petrom S.A. for the acquisition of intangible assets and property, plant and equipment, including its share of the aggregate capital commitments for joint arrangements, is of RON 975 mn (December 31, 2019: RON 951 mn).

4. Inventories

As of June 30, 2020 inventories included CO2 certificates which were classified as trading inventories and therefore measured at fair value in amount of RON 138 mn (December 31, 2019: nil).

During the six months ended June 30, 2020, there were no material write downs of inventories.

OMV PETROM S.A.
NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020
(all amounts are expressed in million RON, unless otherwise specified)

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

5. Financial liabilities

As of June 30, 2020, short and long-term interest-bearing debts and lease liabilities amounted to RON 2,195 mn (December 31, 2019: RON 2,219 mn), thereof RON 488 mn lease liabilities (December 31, 2019: RON 511 mn).

6. Fair value measurement

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

Level 1: Using quoted prices in active markets for identical assets or liabilities.

Level 2: Using inputs for the asset or liability, other than quoted prices, that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Using inputs for the asset or liability that are not based on observable market data such as prices, but on internal models or other valuation methods.

Financial assets and inventories held for trading	June 30, 2020				December 31, 2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Inventories	138.07	-	-	138.07	-	-	-	-
Derivatives designated and effective as hedging instruments	-	75.59	-	75.59	-	227.01	-	227.01
Other derivatives	-	1,118.84	-	1,118.84	-	54.55	-	54.55
Total	138.07	1,194.43	-	1,332.50	-	281.56	-	281.56

Financial liabilities and liabilities associated with assets held for sale	June 30, 2020				December 31, 2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Derivatives designated and effective as hedging instruments	-	(107.52)	-	(107.52)	-	(194.03)	-	(194.03)
Other derivatives	-	(673.87)	-	(673.87)	-	(19.69)	-	(19.69)
Net amount of assets and liabilities associated with assets held for sale	-	(5.42)	-	(5.42)	-	(6.55)	-	(6.55)
Other financial liabilities	-	-	(14.31)	(14.31)	-	-	(14.31)	(14.31)
Total	-	(786.81)	(14.31)	(801.12)	-	(220.27)	(14.31)	(234.58)

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 amount to RON 1,707 mn (December 31, 2019: RON 1,708 mn). The estimated fair value of these liabilities was RON 1,711 mn (December 31, 2019: RON 1,713 mn). Loans to subsidiaries amount to RON 468 mn (December 31, 2019: RON 413 mn) and their estimated fair value is RON 473 mn (December 31, 2019: RON 422 mn). The carrying amount of all other financial assets and financial liabilities approximates their fair value.

OMV PETROM S.A.
NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020
(all amounts are expressed in million RON, unless otherwise specified)

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

7. Impairment charges

Upstream

The COVID-19 pandemic continues to have a major impact on the global economic development. While oil prices slightly increased during the second quarter following supply reductions, they still remain significantly volatile. Recent increases in COVID-19 cases around the world could lead to delays in the assumed demand recovery, following the response of governments and citizens. While OMV Petrom updated its short-term oil and gas price assumptions already during the first quarter, the consequences of the COVID-19 pandemic and the resulting long-term operational and economic impact cannot be reliably estimated from today's perspective. OMV Petrom continues to analyze the market developments and to assess the impacts on the long-term price assumptions during the next quarters.

The Brent oil price assumptions are USD 40/bbl for 2020 (reduced from USD 60/bbl) and USD 50/bbl for 2021 (reduced from USD 70/bbl). The change in the short-term assumptions in Q1/20 led to impairment of RON 28 mn to property, plant and equipment. The change in the short-term expected oil and gas prices is not considered to have an immediate effect on the E&A portfolio, as none of the major assets is planned to come on stream in the near term.

A potential change of OMV Petrom's long-term price assumptions to USD 60/bbl of Brent crude would lead to additional impairments to property, plant and equipment of RON 1.2 bn to RON 1.5 bn. The impact does not take into account cost and CAPEX reduction measures and any other changes in the broader environment.

8. Sales revenues

	6 months 2020	6 months 2019
Revenues from contracts with customers	7,538.49	8,629.44
Revenues from other sources	520.85	(10.94)
Total sales revenues	8,059.34	8,618.50

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

Revenues from contracts with customers

	6 months 2020					
	Upstream	Downstream	thereof Downstream Oil	thereof Downstream Gas	Corporate & Other	Total
Crude oil and NGL	-	30.19	30.19	-	-	30.19
Natural gas, LNG and power	2.70	3,109.60	1.09	3,108.51	-	3,112.30
Fuels and heating oil	-	3,789.61	3,789.61	-	-	3,789.61
Other goods and services	21.71	577.50	536.34	41.16	7.18	606.39
Total	24.41	7,506.90	4,357.23	3,149.67	7.18	7,538.49

OMV PETROM S.A.
NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020
(all amounts are expressed in million RON, unless otherwise specified)

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

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

9. Income tax

Q2 2020	Q2 2019		6 months 2020	6 months 2019
(7.07)	122.42	Current taxes - expense/ (revenue)	109.61	277.77
20.79	8.97	Deferred taxes – expense/ (revenue)	9.85	0.53
13.72	131.39	Taxes on income	119.46	278.30

10. Segment reporting

Intersegmental sales

Q2 2020	Q2 2019		6 months 2020	6 months 2019
1,252.35	2,327.73	Upstream	3,091.47	4,602.44
40.40	44.68	Downstream	88.84	93.98
11.85	13.64	thereof Downstream Oil	24.32	27.98
43.54	57.62	thereof Downstream Gas	113.44	123.85
(14.99)	(26.58)	thereof intersegmental elimination Downstream	(48.92)	(57.85)
36.10	38.41	Corporate and Other	76.17	75.02
1,328.85	2,410.82	Total	3,256.48	4,771.44

Sales to external customers

Q2 2020	Q2 2019		6 months 2020	6 months 2019
13.33	19.71	Upstream	27.61	37.97
3,014.60	4,313.63	Downstream	8,014.22	8,561.71
1,802.44	3,510.34	thereof Downstream Oil	4,644.53	6,296.57
1,212.16	803.29	thereof Downstream Gas	3,369.69	2,265.14
8.95	9.30	Corporate and Other	17.51	18.82
3,036.88	4,342.64	Total	8,059.34	8,618.50

OMV PETROM S.A.
NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020
(all amounts are expressed in million RON, unless otherwise specified)

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

Total sales

Q2 2020	Q2 2019		6 months 2020	6 months 2019
1,265.68	2,347.44	Upstream	3,119.08	4,640.41
3,055.00	4,358.31	Downstream	8,103.06	8,655.69
1,814.29	3,523.98	thereof Downstream Oil	4,668.85	6,324.55
1,255.70	860.91	thereof Downstream Gas	3,483.13	2,388.99
(14.99)	(26.58)	thereof intersegmental elimination Downstream	(48.92)	(57.85)
45.05	47.71	Corporate and Other	93.68	93.84
4,365.73	6,753.46	Total	11,315.82	13,389.94

Segment profit

Q2 2020	Q2 2019		6 months 2020	6 months 2019
(143.56)	673.02	Operating result Upstream	12.32	1,535.86
925.44	700.90	Operating result Downstream	1,222.50	1,153.94
704.83	660.61	thereof Downstream Oil	752.33	979.85
220.61	40.29	thereof Downstream Gas	470.17	174.09
(8.71)	(35.08)	Operating result Corporate and Other	(57.01)	(91.03)
773.17	1,338.84	Operating result segment total	1,177.81	2,598.77
(164.16)	(74.88)	Consolidation	232.52	(154.38)
609.01	1,263.96	Operating result	1,410.33	2,444.39
74.10	28.17	Net financial result	15.96	55.15
683.11	1,292.13	Profit before tax	1,426.29	2,499.54

Segment assets¹

	June 30, 2020	December 31, 2019
Upstream	23,219.67	23,390.54
Downstream	4,911.45	4,859.95
thereof Downstream Oil	3,871.99	3,776.34
thereof Downstream Gas	1,039.46	1,083.61
Corporate and Other	448.19	465.42
Total	28,579.31	28,715.91

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

OMV PETROM S.A.
NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020
(all amounts are expressed in million RON, unless otherwise specified)

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

11. Significant transactions with related parties

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

During the six month period ended June 30, 2020 OMV Petrom S.A. had the following significant transactions with related parties and balances as of June 30, 2020:

Related party	Purchases 6 months 2020	Balances payable June 30, 2020
OMV Supply & Trading Limited	542.69	45.09
OMV Petrom Global Solutions S.R.L.	221.27	46.34
OMV Gas Marketing & Trading GmbH	113.71	14.25
OMV Exploration & Production GmbH	51.96	35.95
OMV Refining & Marketing GmbH	33.85	21.19

Related party	Revenues 6 months 2020	Balances receivable June 30, 2020
OMV Petrom Marketing S.R.L.	3,185.31	464.05
OMV Gas Marketing & Trading GmbH	296.60	0.54
OMV Bulgaria OOD	237.53	35.73

During the six month period ended June 30, 2019, OMV Petrom S.A. had the following significant transactions with related parties and balances as of December 31, 2019:

Related party	Purchases 6 months 2019	Balances payable December 31, 2019
OMV Supply & Trading Limited	951.57	204.02
OMV Petrom Global Solutions S.R.L.	216.82	101.29
OMV Exploration & Production GmbH	30.67	34.91
OMV Refining & Marketing GmbH	26.62	30.15
OMV Aktiengesellschaft	19.55	30.84

Related party	Revenues 6 months 2019	Balances receivable December 31, 2019
OMV Petrom Marketing S.R.L.	4,509.08	677.86
OMV Petrom Gas S.R.L.	1,177.37	0.37

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

OMV PETROM S.A.
NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020
(all amounts are expressed in million RON, unless otherwise specified)

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

12. Subsequent events

On July 9, 2020, the Arbitral Tribunal issued the Final Award on the arbitration initiated by OMV Aktiengesellschaft ("OMV AG") at the International Chamber of Commerce Paris ("ICC") against the Romanian Ministry of Environment, regarding certain claims unpaid by the Ministry of Environment for costs incurred by OMV Petrom S.A. with well decommissioning and environmental remediation works. The arbitral tribunal requested the Ministry of Environment to reimburse to OMV Petrom S.A. the amount of RON 287.62 mn (almost the entire amount initially requested) and related interest. The impact of the award is reflected in Q2/20 results and is mainly related to recognition of an interest income in the net financial result.

These interim condensed separate financial statements and accompanying notes, from page 1 to page 13, were approved on July 29th, 2020.

Christina Verchere
Chief Executive Officer
President of the Executive Board

Alina Popa
Chief Financial Officer
Member of the Executive Board

Peter Zeilinger
Member of the Executive Board
Upstream

Franck Neel
Member of the Executive Board
Downstream Gas

Radu Căprău
Member of the Executive Board
Downstream Oil

Irina Dobre
Vice President Finance Department

Nicoleta Drumea
Head of Financial Reporting

Directors' Report

on OMV PETROM S.A.'s interim condensed separate Financial Statements prepared in accordance with Ministry of Finance Order no. 2844/2016 and in compliance with the Regulation no. 5/2018, Appendix 14, issued by the Financial Supervisory Authority

Overview of the Company's nature

The Company's headquarters is located at Coralilor Street no. 22, district 1, Bucharest, Romania. The Company was set up according to the Government Ordinance no. 49/October 1997, approved by Law no. 70/April 1998. The Company is registered with the Trade Register under number J40/8302/1997 and has as unique fiscal registration code RO1590082. The Company has as main activities exploration and production of hydrocarbons, sale of natural gas, refining of crude oil, sale of petroleum products, as well as production and sales of electricity. OMV Petrom unfolds its activity either directly or through its affiliates in Romania, Kazakhstan (only exploration and production of hydrocarbons) and Bulgaria, Serbia and Republic of Moldova (only sale of petroleum products).

The Company is the parent company of OMV Petrom Group ("the Group"). Interim condensed separate financial statements for the period ended June 30, 2020 are prepared in accordance with International Financial Reporting Standards (IFRS), as the Ministry of Finance Order (MOF) no. 2844/2016 stipulates that Romanian listed companies must prepare financial statements in accordance with IFRS as endorsed by European Union (EU). The interim condensed consolidated financial statements are also prepared by the Company in accordance with IFRS as endorsed by the EU.

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

As at June 30, 2020 and December 31, 2019 the total share capital amounted to RON 5,664,410,833.50, representing 56,644,108,335 shares (December 31, 2019: same number) with a nominal value of RON 0.1 per share.

The shareholders' structure as at June 30, 2020 is presented below:

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

The interim condensed separate financial statements for the six-month period ended June 30, 2020 are unaudited and an external review by an auditor was not performed.

Financial highlights

Q2/20	Q2/19	Δ%	in RON mn	6m/20	6m/19	Δ%
3,037	4,343	(30)	Sales ¹	8,059	8,619	(6)
609	1,264	(52)	Operating Result	1,410	2,444	(42)
(144)	673	n.m.	Operating Result Upstream ²	12	1,536	(99)
925	701	32	Operating Result Downstream	1,223	1,154	6
(9)	(35)	75	Operating Result Co&O	(57)	(91)	37
(164)	(75)	(119)	Consolidation	233	(154)	n.m.
74	28	164	Net financial result	16	55	(71)
683	1,292	(47)	Profit before tax	1,426	2,500	(43)
2	10	(80)	Effective tax rate (%)	8	11	(25)
669	1,161	(42)	Net income	1,307	2,221	(41)
(3,498)	(2,920)	20	Net debt/(cash)	(3,498)	(2,920)	20

¹ Sales excluding petroleum excise tax;

² Excluding intersegmental profit elimination shown in the line Consolidation.

Key events 6m/20

The global outbreak of the coronavirus (COVID-19) and the related containment measures had a major impact on the global economic development and have led to a sharp decline in demand for products and services. Our swift measures and the integrated business model partly counterbalanced the depressed environment.

- ▶ The health of our employees was re-emphasized as our top priority, implemented work from home and flexible working hours.
- ▶ Operations continued while applying a comprehensive set of safety measures across the value chain to ensure security of supply of fuels, gas and power.
- ▶ Europe's largest onshore 3D seismic survey acquisition finalized during Q1/20, ahead of schedule and on budget.
- ▶ In June 2020, OMV Petrom was selected as the winning bidder for an oil and gas exploration block in the Black Sea, offshore Georgia.
- ▶ At the Annual General Meeting of Shareholders held on April 27, 2020, the shareholders of OMV Petrom S.A. approved the distribution of dividends for the financial year 2019 for the gross amount of RON 1,756 mn (gross dividend per share of RON 0.031). Total dividends paid during 6m/20 amounted to RON 1,739 mn.
- ▶ The Annual General Meeting of Shareholders approved the 2020 Income and Expenditure Budget of OMV Petrom S.A. with investments estimated at RON 5.8 bn (which also include OMV Petrom S.A. contribution to share participation in OMV Petrom Group's subsidiaries, which are eliminated at Group level and acquisitions). These budgets do not include the impact of COVID-19 pandemic.
- ▶ The Annual General Meeting of Shareholders reappointed Ernst & Young Assurance Service S.R.L. as the Company's financial auditor for 2020.

Analysis of performance

January to June 2020 (6m/20) vs. January to June 2019 (6m/19)

Sales revenues of RON 8,059 mn for 6m/20 decreased by 6% compared to 6m/19, following the negative evolution of commodity prices and lower sales volumes for petroleum products, partially offset by the increase in natural gas volumes sold. Downstream Oil represented 58% of total sales revenues, Downstream Gas accounted for 42%, while Upstream was below 1% (sales in Upstream being largely intra-group sales rather than third-party sales).

The **Reported Operating Result** amounted to RON 1,410 mn, 42% below the 6m/19 level of RON 2,444 mn, driven mainly by the unfavorable market environment, as the lower prices and the COVID-19 crisis had a negative impact on the Company's performance. The negative evolution in Upstream, triggered by lower crude oil and gas prices, was partly compensated by higher positive contribution from Downstream, mainly as a result of higher sales of natural gas, power forward contracts, higher refining margins, as well as positive impact related to middle distillate margin hedges.

The **net financial result** decreased to RON 16 mn in 6m/20 from RON 55 mn in 6m/19.

As a result, the **profit before tax** for 6m/20 of RON 1,426 mn was lower compared with the result for the similar period of the previous year of RON 2,500 mn.

Income tax amounted to RON (120) mn, while the **effective tax rate** was 8% in 6m/20 (6m/19: 11%).

Net income was RON 1,307 mn (6m/19: RON 2,221 mn).

Investments of RON 1,516 mn in 6m/20, were 20% lower than RON 1,898 mn in 6m/19, following the reduction in the context of COVID-19 pandemic and the depressed oil price environment.

Upstream investments in 6m/20 were RON 1,132 mn, compared to RON 1,443 mn in 6m/19 and represented 75% of total investments for 6m/20. The decline was mainly due to lower development drilling and exploration activities as a response to the current environment.

Downstream investments amounted to RON 376 mn (6m/19: RON 394 mn), thereof RON 373 mn in Downstream Oil (6m/19: RON 297 mn). In Downstream Oil, most amounts were routed to projects related to Petrobrazil refinery. In Downstream Gas, investments amounted to RON 3 mn in 6m/20, compared to RON 97 mn in 6m/19, when were mainly related to the planned shutdown of the Brazil power plant. Corporate and Other investments were RON 8 mn (6m/19: RON 61 mn).

Due to the significant cash balance at June 30, 2020, OMV Petrom maintained a **net cash position** of RON 3,498 mn (December 31, 2019: RON 4,576 mn).

Summarized interim statement of financial position

in RON mn	June 30, 2020	December 31, 2019
Assets		
Non-current assets	34,967.86	34,726.48
Current assets (incl. Assets held for sale)	11,008.24	11,664.57
Total assets	45,976.10	46,391.05
Equity and liabilities		
Total equity	32,082.54	32,350.95
Non-current liabilities	7,817.13	7,878.87
Current liabilities (incl. Liab assoc with assets held for sale)	6,076.43	6,161.23
Total equity and liabilities	45,976.10	46,391.05

Compared to December 31, 2019, **non-current assets** slightly increased by RON 241 mn, to RON 34,968 mn, mainly due to higher financial assets in relation to margin hedges in the refinery, partly offset by the decrease in property, plant and equipment, as depreciation, impairments and decrease in decommissioning asset following reassessment exceeded the additions during the period.

The net reduction in **current assets (including assets held for sale)** was mainly due to the decrease in cash and cash equivalents, following the payment of dividends, and lower trade receivables due to lower sales, partially compensated by higher financial assets, in relation to margin hedges in the refinery and to dividends receivable from subsidiaries.

Equity decreased to RON 32,083 mn as of June 30, 2020 compared to RON 32,351 mn as of December 31, 2019, as a result of the dividend distribution for the fiscal year 2019, which exceeded the net profit generated in the current period. The equity ratio stood at 70% as of June 30, 2020, at the same the level as of December 31, 2019.

As at June 30, 2020, **total liabilities** slightly decreased by RON 147 mn compared to December 31, 2019, due to equally lower current and non-current liabilities. **Current liabilities (including liabilities associated with assets held for sale)** decreased by RON 85 mn, largely from lower trade payables following lower acquisitions, partly compensated by higher financial liabilities in relation to margin hedges in the refinery. **Non-current liabilities** decreased by RON 62 mn, mainly due to the reassessment of provisions for decommissioning and restoration obligations following the increase in net discount rate.

Cash flow

Summarized cash-flow statement (in RON mn)	6m/20	6m/19	Δ%
Sources of funds	2,117	3,471	(39)
Cash flow from operating activities	2,577	3,523	(27)
Cash flow from investing activities	(1,886)	(1,632)	(16)
Free cash flow	691	1,891	(63)
Cash flow from financing activities	(1,796)	(2,260)	21
Effect of exchange rates on cash and cash equivalents	2	1	253
Net decrease in cash and cash equivalents	(1,102)	(368)	(199)
Cash and cash equivalents at beginning of period	6,795	4,901	39
Cash and cash equivalents at end of period	5,693	4,533	26
Free cash flow after dividends	(1,048)	377	n.m.

January to June 2020 (6m/20) vs. January to June 2019 (6m/19)

In 6m/20, the inflow of funds from profit before tax, adjusted for non-cash items such as depreciation and impairments, net change of provisions and other non-cash adjustments, as well as net interest received and income tax paid was RON 2,117 mn (6m/19: RON 3,471 mn). Changes in **net working capital** generated a cash inflow of RON 460 mn (6m/19: RON 51 mn). **Cash flow from operating activities** decreased by RON 946 mn compared to 6m/19, reaching RON 2,577 mn, mainly reflecting the lower operating result.

In 6m/20, **cash flow from investing activities** resulted in an outflow of RON 1,886 mn (6m/19: RON 1,632 mn) mainly related to payments for investments in intangible assets and property, plant and equipment, largely in the Upstream segment. In 6m/2019 cash flow from investing activities benefited from proceeds from transfer of business and reduction in the share capital of two Group entities.

Free cash flow (defined as cash flow from operating activities less cash flow from investing activities) showed an inflow of funds of RON 691 mn (6m/19: RON 1,891 mn).

Cash flow from financing activities reflected an outflow of funds amounting to RON 1,796 mn (6m/19: RON 2,260 mn), mainly arising from the payment of dividends of RON 1,739 mn.

Free cash flow after dividends resulted in a cash outflow of RON 1,048 mn (6m/19: inflow RON 377 mn).

Risk management

The scope of OMV Petrom's business activity, both existing and planned, and the markets in which the company operates expose the company to significant commodity price, foreign exchange, operational and strategic risks. A detailed description of risks and risk management activities can be found in the 2019 Annual Report (pages 45-48).

According to the last OMV Petrom risk assessment exercise in February 2020, the main uncertainties which could impact the company's performance remain the commodity price risk, operational risks, as well as political and regulatory risk.

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

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

The global outbreak of the COVID-19 pandemic continues to have a major impact on global economic development. While oil prices slightly increased during the second quarter following supply reductions, they still remain significantly volatile. Recent increases in COVID-19 cases around the world could lead to delays in the assumed demand recovery, following the response of governments and citizens. Thus, the consequences of the COVID-19 pandemic and the extent and duration of the economic impact cannot be reliably estimated from today's perspective. However, OMV Petrom is closely monitoring the development and regularly evaluating the impact on the Company's cash flow and liquidity position. OMV Petrom is responding to the situation with targeted measures to safeguard the Company's economic stability and the secure supply of energy. The health and wellbeing of every employee is the top priority. At the same time, OMV Petrom is implementing targeted measures to safeguard the Company's financial strength, namely reduction of investments and cost cutting.

From today's perspective, we assume that based on the measures listed above the company's ability to continue as a going concern is not impacted.

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

Transactions with related parties

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

Outlook for the full year 2020

The outbreak of the coronavirus (COVID-19) and the efforts to contain it affect the global economy and, as a result, have a negative impact on prices and demand.

The information presented below is based on the assumption of no further lockdowns or other mobility restrictions by year end.

For the full year 2020, OMV Petrom expects the average Brent oil price to be at USD 40/bbl (2019: USD 64/bbl).

Refining margins are expected to be below USD 4.00 /bbl (2019: USD 4.67/bbl). Following the COVID-19 outbreak, demand for oil products and power is expected to be below 2019, while demand for gas is expected to be broadly similar to 2019, supported by gas intensive industries.

According to public statements, the Offshore Law is intended to be changed through a parliamentary process to be initiated after the next parliamentary elections.

In June 2020, a gas release program (GRP) was put in place, and subsequently the centralized market obligation was eliminated. While we acknowledge the steps forward towards a fully liberalized market, there are some challenges with regards to the GRP application.

At Group level, in Upstream the production is expected to maintain decline below 5% yoy, excluding portfolio optimization. We will continue to focus on the most profitable barrels; the transfer of 40 marginal fields to Dacian Petroleum is expected to close in the second half of 2020. Additionally, we intend to simplify our footprint and focus on our strategic assets. We plan to drill around 60 new wells and sidetracks and maintain a constant level of workovers yoy. We expect exploration expenditures around RON 0.2 bn for full year. Regarding the regional expansion, the closing of the acquisition of Han Asparuh offshore Bulgaria interest is expected in the second half of 2020, while, following the successful bidding procedure, the ongoing negotiations of the production sharing contract for Georgia Offshore Exploration Block II are estimated to be finalized by year-end.

In Downstream Oil, the refinery utilization rate is estimated at around 90% (2019: 97%). The utilization rate is expected to be supported by a gradual recovery of demand after the easing of mobility restrictions, being impacted by a two-week planned shutdown in Q3 for maintenance works.

In Downstream Gas, OMV Petrom no longer has an allocation to supply the regulated gas market in H2/20 following market liberalization as of July 1, 2020; we estimate total gas sales volumes to be at similar level to 2019. The Brazi power plant has received a 0.18 TWh allocation to supply the regulated power market in H2/20 at a RON 223/MWh regulated price; we estimate total net electrical output to be higher vs. 2019. A two-week shutdown for the entire capacity is planned at Brazi power plant for Q4/20.

With regard to Neptun Deep, we remain keen to see this strategic project being developed. The final investment decision depends on a range of factors including stable and competitive fiscal framework and the right to freely market the gas.

We are focused on energy efficiency and decreasing the emissions from our operations; we target to reduce carbon intensity by 27% until 2025 vs. 2010.

At Group level, we expect a positive free cash flow before dividends; given our strong balance sheet, we paid in June RON 1.74 bn dividends for the financial year 2019, thus our free cash flow after dividends turned negative and is expected to remain so for the entire year. Investments (including capitalized exploration and appraisal) is anticipated to be around RON 3 bn excluding acquisitions (2019: RON 4.2 bn); operational costs and exploration and appraisal expenditures are planned to be cut by RON 320 mn yoy.

Declaration of the management

We confirm to the best of our knowledge that the unaudited interim condensed separate financial statements for the six-month period ended June 30, 2020 give a true and fair view of OMV Petrom S.A. assets, liabilities, financial position and profit or loss, as required by the applicable accounting standards, and that the Directors' Report gives a true and fair view of important events that have occurred during the first six months of the 2020 financial year and their impact on the interim condensed separate financial statements, as well as a description of the principal risks and uncertainties.

Bucharest, July 29, 2020

The Executive Board

Christina Verchere
Chief Executive Officer
President of the Executive Board

Alina Popa
Chief Financial Officer
Member of the Executive Board

Peter Zeilinger
Member of the Executive Board
Upstream

Franck Neel
Member of the Executive Board
Downstream Gas

Radu Căprău
Member of the Executive Board
Downstream Oil

Further information

Abbreviation and definitions

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