



## OMV Petrom Group: results<sup>1</sup> for Q3 and January – September 2016

including interim condensed consolidated financial statements as of and for the period ended September 30, 2016

### Q3/16

- ▶ Free cash flow at RON 1.1 bn, based on capex prioritization and very good operational performance
- ▶ Clean CCS EBIT at RON 602 mn, supported by Downstream contribution
- ▶ Upstream production at 174 kboe/d; OPEX at 11.3 USD/boe, reflecting efficiency measures
- ▶ Downstream Oil: high refinery utilization rate and good retail sales volumes
- ▶ Downstream Gas: high gas and power sales, challenging gas market

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

“In the context of weak oil and gas prices and significantly reduced refining margins vs. previous year, OMV Petrom’s efforts focused on operational resilience and delivered good results. In Q3/16, we continued with CAPEX prioritization and strict cost discipline, which translated into a RON 1.1 bn free cash flow. Our constant focus on the most profitable barrels led us to revisit the CAPEX guidance for 2016, from EUR 0.7 bn to EUR 0.6 bn (-30% yoy).

In Upstream, the reduction in production costs and exploration expenses partly compensated the weak prices. The Downstream contribution to Group result was very strong, driven by good operational performance of both Downstream Oil and Downstream Gas, despite a challenging market environment. As a result of all our efforts, OMV Petrom delivered a clean CCS EBIT of RON 602 mn and a sound operating cash flow of RON 1.6 bn in Q3/16.

On 20 October 2016, the sale by Fondul Proprietatea of a 6.4% stake in OMV Petrom (in the form of shares and GDRs) was closed and led to an increase of our free float to 15.8%. On the same day, OMV Petrom’s GDRs started trading on the London Stock Exchange.”

Q2/16	Q3/16	Q3/15	Δ%	Key performance indicators (in RON mn)	9m/16	9m/15	Δ%
218	573	34	n.m.	EBIT	1,134	1,315	(14)
229	602	1,061	(43)	Clean CCS EBIT <sup>2</sup>	1,240	2,312	(46)
118	473	(43)	n.m.	Net income / (loss) attributable to stockholders <sup>3</sup>	882	999	(12)
127	442	820	(46)	Clean CCS net income attributable to stockholders <sup>2,3,4</sup>	899	1,733	(48)
0.0021	0.0084	(0.0008)	n.m.	EPS (RON)	0.0156	0.0176	(12)
0.0022	0.0078	0.0145	(46)	Clean CCS EPS (RON) <sup>2,4</sup>	0.0159	0.0306	(48)
883	1,613	1,729	(7)	Cash flow from operating activities	3,384	4,179	(19)
130	1,115	719	55	Free cash flow after dividends	1,126	(333)	n.m.

<sup>1</sup> The financials are unaudited and represent OMV Petrom Group’s (herein after also referred to as “the Group”) consolidated results prepared according to IFRS; all the figures refer to OMV Petrom Group, unless otherwise stated; financials are expressed in RON mn and rounded to closest integer value, so minor differences may result upon reconciliation; OMV Petrom uses the National Bank of Romania exchange rates for its consolidation process

<sup>2</sup> Adjusted for exceptional, non-recurring items; Clean CCS figures exclude special items and inventory holding effects (CCS effects) resulting from Downstream Oil

<sup>3</sup> After deducting net result attributable to non-controlling interests

<sup>4</sup> Excludes additional special income of RON 67 mn from clearance of a legal dispute and reflected in the financial result



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## Directors' report (condensed, unaudited)

### Financial highlights

Q2/16	Q3/16	Q3/15	Δ%	in RON mn	9m/16	9m/15	Δ%
3,633	4,461	4,816	(7)	Sales <sup>1</sup>	11,652	13,627	(14)
151	171	(407)	n.m.	EBIT Upstream <sup>2</sup>	242	288	(16)
275	364	121	202	EBIT Downstream	998	887	13
(8)	(20)	(23)	13	EBIT Co&O	(44)	(59)	24
(200)	58	343	(83)	Consolidation	(62)	198	n.m.
<b>218</b>	<b>573</b>	<b>34</b>	<b>n.m.</b>	<b>EBIT Group</b>	<b>1,134</b>	<b>1,315</b>	<b>(14)</b>
<b>(55)</b>	<b>11</b>	<b>(833)</b>	<b>n.m.</b>	<b>Special items<sup>3</sup></b>	<b>66</b>	<b>(759)</b>	<b>n.m.</b>
(8)	(37)	(41)	10	thereof: Personnel and restructuring	(53)	(64)	18
(63)	(1)	(786)	100	Unscheduled depreciation	(65)	(794)	92
16	49	(5)	n.m.	Other	184	100	84
44	(40)	(194)	79	CCS effects: Inventory holding gains/(losses)	(172)	(238)	28
210	193	416	(54)	Clean EBIT Upstream <sup>2,4</sup>	330	1,143	(71)
135	393	503	(22)	Clean CCS EBIT Downstream <sup>4</sup>	830	900	(8)
(8)	(19)	(23)	14	Clean EBIT Co&O <sup>4</sup>	(44)	(59)	25
(108)	36	164	(78)	Consolidation	124	327	(62)
<b>229</b>	<b>602</b>	<b>1,061</b>	<b>(43)</b>	<b>Clean CCS EBIT<sup>4</sup></b>	<b>1,240</b>	<b>2,312</b>	<b>(46)</b>
(86)	(16)	(83)	81	Net financial result	(102)	(62)	(65)
132	557	(48)	n.m.	Profit/(loss) before tax	1,032	1,253	(18)
117	473	(46)	n.m.	Net income/(loss)	878	991	(11)
118	473	(43)	n.m.	Net income/(loss) attributable to stockholders <sup>5</sup>	882	999	(12)
<b>127</b>	<b>442</b>	<b>820</b>	<b>(46)</b>	<b>Clean CCS net income attributable to stockholders<sup>4,5,7</sup></b>	<b>899</b>	<b>1,733</b>	<b>(48)</b>
0.0021	0.0084	(0.0008)	n.m.	EPS (RON)	0.0156	0.0176	(12)
0.0022	0.0078	0.0145	(46)	Clean CCS EPS (RON) <sup>4,7</sup>	0.0159	0.0306	(48)
883	1,613	1,729	(7)	Cash flow from operating activities	3,384	4,179	(19)
0.0156	0.0285	0.0305	(7)	CFPS (RON)	0.0597	0.0738	(19)
1,261	124	1,253	(90)	Net debt	124	1,253	(90)
5	0	5	(90)	Gearing (%) <sup>6</sup>	0	5	(90)
568	478	928	(49)	Capital expenditure	1,815	2,997	(39)
-	-	-	-	ROFA (%)	(2.2)	3.5	n.m.
-	-	-	-	ROACE (%)	(2.7)	2.5	n.m.
-	-	-	-	Clean CCS ROACE (%) <sup>4,7</sup>	3.8	8.4	(55)
-	-	-	-	ROE (%)	(3.0)	2.5	n.m.
12	15	5	184	Group effective tax rate (%)	15	21	(29)
15,237	14,975	16,217	(8)	OMV Petrom Group employees at the end of the period	14,975	16,217	(8)

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

<sup>1</sup> Sales excluding petroleum excise tax;

<sup>2</sup> Excluding intersegmental profit elimination shown in the line "Consolidation";

<sup>3</sup> Special items, representing exceptional, non-recurring items, are added back or deducted from EBIT; for more details please refer to each specific segment;

<sup>4</sup> Adjusted for special items; Clean CCS (current cost of supply) figures exclude special items and inventory holding effects (CCS effects) resulting from Downstream Oil;

<sup>5</sup> After deducting net result attributable to non-controlling interests;

<sup>6</sup> Net debt divided by equity;

<sup>7</sup> Excludes additional special income of RON 67 mn from clearance of a legal dispute and reflected in the financial result

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

## Group performance

### Third quarter 2016 (Q3/16) vs. second quarter 2016 (Q2/16)

**Consolidated sales** in Q3/16 amounted to RON 4,461 mn, 23% higher compared to Q2/16, mainly due to seasonally better sales of petroleum products coupled with higher quantities of electricity sold, which fully compensated for the decrease in gas sales. Downstream Oil represented 76% of total consolidated sales, while Downstream Gas accounted for 22% and Upstream for 2% (sales in Upstream being largely intra-group sales rather than third-party sales).

**Clean CCS EBIT** increased from RON 229 mn to RON 602 mn, reflecting higher sales in Q3/16 and the Petrobrazi refinery turnaround in Q2/16. Clean CCS EBIT is stated after eliminating inventory holding losses of RON (40) mn (Q2/16: inventory holding gains of RON 44 mn).

**The Group's EBIT** increased to RON 573 mn (Q2/16: RON 218 mn), being also influenced by lower exploration expenses, as Q2/16 was impacted by write-offs of exploration assets.

**The net financial result** was a loss at the amount of RON (16) mn, compared to a loss of RON (86) mn in Q2/16, following the special income from the clearance of a legal dispute and the positive effect of exchange rates evolution in relation to bank loans denominated in EUR.

Consequently, the **profit before tax** for Q3/16 of RON 557 mn was significantly higher compared with the result of RON 132 mn recorded in Q2/16.

**Income tax** level of RON 84 mn led to an effective tax rate of 15% in Q3/16.

**Net income attributable to stockholders** (i.e. net income attributable to stockholders of the parent) in Q3/16 was RON 473 mn, compared to RON 118 mn in Q2/16, while **clean CCS net income attributable to stockholders** increased to RON 442 mn from RON 127 mn in Q2/16. **EPS** was RON 0.0084 in Q3/16 vs. RON 0.0021 in Q2/16, while **Clean CCS EPS** was RON 0.0078 compared to RON 0.0022 in Q2/16.

**Cash flow from operating activities** amounted to RON 1,613 mn and was well above Q2/16 level (RON 883 mn). **Free cash flow after dividends** amounted to RON 1,115 mn (Q2/16: RON 130 mn).

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### Third quarter 2016 (Q3/16) vs. third quarter 2015 (Q3/15)

Compared to Q3/15, **sales** decreased by 7%, as the decline in oil prices more than offset higher volumes of petroleum products, electricity and gas sold.

**Clean CCS EBIT** of RON 602 mn was below the value recorded in Q3/15 of RON 1,061 mn, reflecting mainly the unfavorable oil and gas price environment. Clean CCS EBIT for Q3/16 is stated after eliminating net special income of RON 11 mn and inventory holding losses of RON (40) mn, while Q3/15 is stated after eliminating net special charges of RON (833) mn (mainly in relation to impairment of assets in Upstream) and inventory holding losses of RON (194) mn.

**The Group's EBIT** for Q3/16 amounted to RON 573 mn, well above the result recorded in Q3/15 of RON 34 mn, due to the significant impairment of production assets in Q3/15, as a consequence of the reduced oil price assumptions, and lower exploration expenses in Q3/16.

**The net financial result** improved from a loss of RON (83) mn in Q3/15 to a loss of RON (16) mn in Q3/16, due to special income from the clearance of a legal dispute.

Consequently, the **profit before tax** for Q3/16 of RON 557 mn was significantly higher compared with the loss of RON (48) mn recorded in Q3/15.

**Net income attributable to stockholders** (i.e. net income attributable to stockholders of the parent) was RON 473 mn, while **clean CCS net income attributable to stockholders** was RON 442 mn. **EPS** was RON 0.0084 in Q3/16 vs. RON (0.0008) in Q3/15, while **Clean CCS EPS** was RON 0.0078 compared to RON 0.0145 in Q3/15.

**Cash flow from operating activities** amounted to RON 1,613 mn and was below the level in Q3/15 (RON 1,729 mn), reflecting mainly the lower pricing environment, partially offset by the encashment in Q3/16 of the amounts by which the initial Competition Council fines had been reduced by court decisions in Q1/16. **Free cash flow after dividends** amounted to RON 1,115 mn (Q3/15: RON 719 mn).

## Statement of financial position and capital expenditure

Summarized statement of financial position (in RON mn)	September 30, 2016	%	December 31, 2015	%
<b>Assets</b>				
<b>Non-current assets</b>	<b>35,378</b>	<b>85</b>	<b>36,020</b>	<b>88</b>
Intangible assets and property, plant and equipment	30,979	75	31,708	77
Investments in associated companies	44	0	41	0
Other non-current assets	2,824	7	2,708	7
Deferred tax assets	1,532	4	1,563	4
<b>Current assets<sup>1</sup></b>	<b>6,029</b>	<b>15</b>	<b>5,098</b>	<b>12</b>
Inventories	1,996	5	1,965	5
Trade receivables	1,331	3	1,318	3
Assets held for sale	286	1	119	0
Other current assets	2,415	6	1,696	4
<b>Total assets</b>	<b>41,407</b>	<b>100</b>	<b>41,118</b>	<b>100</b>
<b>Equity and liabilities</b>				
<b>Total equity</b>	<b>26,558</b>	<b>64</b>	<b>25,688</b>	<b>62</b>
<b>Non-current liabilities</b>	<b>10,311</b>	<b>25</b>	<b>10,382</b>	<b>25</b>
Pensions and similar obligations	237	1	239	1
Interest-bearing debts	1,216	3	1,424	3
Decommissioning and restoration obligations	8,198	20	7,941	19
Provisions and other liabilities	660	2	765	2
Deferred tax liabilities	-	-	13	0
<b>Current liabilities<sup>2</sup></b>	<b>4,538</b>	<b>11</b>	<b>5,049</b>	<b>12</b>
Trade payables	2,025	5	2,318	6
Interest-bearing debts	447	1	379	1
Liabilities associated with assets held for sale	139	0	10	0
Provisions and other liabilities	1,927	5	2,342	6
<b>Total equity and liabilities</b>	<b>41,407</b>	<b>100</b>	<b>41,118</b>	<b>100</b>

<sup>1</sup> include assets held for sale

<sup>2</sup> include liabilities associated with assets held for sale

**Capital expenditure** decreased to RON 1,815 mn (9m/15: RON 2,997 mn), mainly due to substantially lower CAPEX in Upstream.

Upstream investments in 9m/16 were RON 1,484 mn, compared to RON 2,790 mn in 9m/15. Downstream investments amounted to RON 328 mn (9m/15: RON 203 mn), thereof RON 320 mn in Downstream Oil (9m/15: RON 199 mn) and RON 8 mn in Downstream Gas (9m/15: RON 4 mn). Corporate & Other CAPEX was RON 3 mn (9m/15: RON 4 mn).

Compared to December 31, 2015, **total assets** increased by RON 289 mn, to RON 41,407 mn, mainly driven by a stronger cash and cash equivalents position, which more than compensated the decrease in non-current assets. The increase in intangible assets by RON 98 mn, which is mostly related to the operations at the Neptun Deep block in the Black Sea, was more than offset by the net decrease of RON 828 mn in property, plant and equipment, as depreciation and impairments exceeded investments during the period. Also, assets related to 19 marginal onshore fields were reclassified as assets held for sale following the signing of a transfer agreement with Mazarine Energy Romania S.R.L..

**Equity** marginally increased to RON 26,558 mn as of September 30, 2016 compared to RON 25,688 mn as of December 31, 2015, as a result of the net profit generated in the current period. The Group's equity ratio increased to 64% as of end-September 2016, slightly higher than the level as of end-December 2015 (62%).

**Total interest bearing debt** decreased from RON 1,802 mn as of December 31, 2015 to RON 1,663 mn as of September 30, 2016, following partial loan reimbursements and the positive effect from the appreciation of RON vs. USD and EUR in the first nine months of 2016.

The Group's liabilities other than interest bearing debt decreased by RON 441 mn, predominantly as a consequence of lower trade payables and other financial liabilities, broadly reflecting the reduction in capital expenditure and the completion of the exploration drilling campaign in the Black Sea.

OMV Petrom Group's **net debt** decreased significantly to RON 124 mn compared to the December 31, 2015 level of RON 1,286 mn, due to the improved net cash position at the end of the period. Consequently, the **gearing ratio** decreased to 0.47% (December 31, 2015: 5.01%).

## Cash flow

Summarized cash-flow statement (in RON mn)	9m/16	9m/15	Δ%
<b>Sources of funds</b>	<b>3,221</b>	<b>4,002</b>	<b>(20)</b>
Cash flow from operating activities	3,384	4,179	(19)
Cash flow from investing activities	(2,258)	(3,883)	42
<b>Free cash flow</b>	<b>1,127</b>	<b>296</b>	<b>280</b>
Cash flow from financing activities	(137)	(746)	82
Effect of exchange rates on cash and cash equivalents	0	5	(90)
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>990</b>	<b>(445)</b>	<b>n.m.</b>
Cash and cash equivalents at beginning of the period	813	1,268	(36)
<b>Cash and cash equivalents at end of the period</b>	<b>1,803</b>	<b>823</b>	<b>119</b>
<b>Free cash flow after dividends</b>	<b>1,126</b>	<b>(333)</b>	<b>n.m.</b>

In 9m/16, the inflow of funds from profit before tax, adjusted for non-cash items such as depreciation and impairments, net change of provisions and other non-cash adjustments, as well as net interest and income tax paid was RON 3,221 mn (9m/15: RON 4,002 mn), while **net working capital** generated a cash inflow of RON 163 mn (9m/15: RON 177 mn). **Cash flow from operating activities** decreased by RON 795 mn compared to 9m/15, reaching RON 3,384 mn.

In 9m/16, the **cash flow from investing activities** resulted in an outflow of RON 2,258 mn (9m/15: RON 3,883 mn) mainly related to payments for investments in intangible assets and property, plant and equipment.

**Free cash flow** (defined as cash flow from operating activities less cash flow from investing activities) showed an inflow of funds of RON 1,127 mn (9m/15: RON 296 mn). **Free cash flow less dividend payments** resulted in a cash inflow of RON 1,126 mn (9m/15: outflow of RON 333 mn).

**Cash flow from financing activities** reflected a net outflow of funds amounting to RON 137 mn (9m/15: RON 746 mn), mainly arising from the repayment of tranches from the loans from the European Investment Bank and the European Bank for Reconstruction and Development, with 9m/15 also including payments of dividends for the year 2014.

## 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 2015 Annual Report (pages 47-50).

For 2016, the main uncertainties which can influence 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, when appropriate, protective measures are undertaken (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 2016

### Market, regulatory and fiscal environment

For the year 2016, we expect the average **Brent oil price** to be at USD 44/bbl. The Brent-Urals spread is anticipated to be wider than in recent years.

We estimate **gas** demand in Romania for 2016 to be below the 2015 level, with increased competition, including from import gas. Additional pressure on prices and margins is coming from recent amendments to the Energy Law, including the obligation for gas producers and suppliers to sell/buy via centralized platforms until 2021. In the **power** market, we anticipate demand for 2016 to be relatively stable vs. 2015, with improved spark spreads.

**Refining** margins in Q4/16 are projected to be above the Q3/16 level, along with an increase of fuels spreads. Low **oil product** prices, together with increased private consumption in Romania, are estimated to continue to support demand for oil products, despite seasonal decline and increased competition.

### OMV Petrom Group

- ▶ CAPEX (including capitalized exploration and appraisal) for 2016 expected to be around EUR 0.6 bn, about 30% down yoy, with approx. 85% dedicated to Upstream;
- ▶ Exploration expenditures estimated to decrease by approx. 70% vs. the peak 2015 level, mainly due to the completion of drilling activities in the Neptun Block;
- ▶ Continued focus on cost discipline and portfolio optimization aiming for strong free cash flow generation.

### Upstream

- ▶ Group's full year average production decline is estimated to be up to 4% compared with 2015, due to natural decline not fully offset by the level of investments and the planned surface facilities upgrade at Totea Deep in October 2016;
- ▶ Production and development: estimated 1,000 workovers and 40 new wells for 2016;
- ▶ Exploration: two wells, one shallow offshore and one onshore, are planned to start drilling in Q4/16;
- ▶ Neptun Deep block (50% OMV Petrom; 50% ExxonMobil): more detailed work is ongoing to determine if commercial development is viable.

### Downstream

- ▶ The refinery utilization rate is expected to be around 90% in 2016; we continue to focus on improving operational performance and delivering on economic energy efficiency upgrades;
- ▶ Despite challenges ahead, we focus on maintaining our position in the gas market through improved portfolio optimization and stronger customer orientation;
- ▶ Due to transformer failure, one gas turbine of the Brazi power plant will be unavailable for the rest of the year, which will affect the result (impact analysis still ongoing);
- ▶ Dorobantu wind park divestment: process ongoing.

## Business segments

### Upstream

Q2/16	Q3/16	Q3/15	Δ%	in RON mn	9m/16	9m/15	Δ%
151	171	(407)	n.m.	EBIT <sup>1</sup>	242	288	(16)
(58)	(22)	(823)	97	Special items	(87)	(855)	90
210	193	416	(54)	Clean EBIT <sup>1</sup>	330	1,143	(71)
871	841	1,099	(23)	Clean EBITD	2,288	3,289	(30)
354	420	844	(50)	CAPEX	1,484	2,790	(47)

  

Q2/16	Q3/16	Q3/15	Δ%	Key performance indicators	9m/16	9m/15	Δ%
16.14	15.99	15.97	0	Total hydrocarbon production (mn boe)	48.07	48.97	(2)
177	174	174	0	Total hydrocarbon production (kboe/d) <sup>2</sup>	175	179	(2)
7.36	7.25	7.60	(5)	Crude oil and NGL production (mn bbl)	21.98	23.01	(4)
1.34	1.34	1.28	4	Natural gas production (bcm)	3.99	3.97	0
47.43	47.23	45.26	4	Natural gas production (bcf)	141.02	140.34	0
43.91	44.10	49.75	(11)	Average Urals price (USD/bbl)	40.18	54.56	(26)
36.86	37.41	44.70	(16)	Average Group realized crude price (USD/bbl)	33.64	47.93	(30)
(34)	40	321	(88)	Exploration expenditures (RON mn)	282	1,087	(74)
87	19	62	(68)	Exploration expenses (RON mn)	163	261	(38)
12.09	11.27	13.11	(14)	OPEX (USD/boe)	11.87	13.51	(12)

<sup>1</sup> Excluding intersegmental profit elimination; <sup>2</sup> Production figures in kboe/d are rounded

### Third quarter 2016 (Q3/16) vs. second quarter 2016 (Q2/16)

- ▶ **Clean EBIT 8% lower mainly due to lower gas prices and sales volumes**
- ▶ **Daily production decreased by 2% mainly due to natural decline**
- ▶ **Continued cost savings reflected in OPEX/boe more than offset lower production volumes**

In Q3/16, the **average Urals crude price** increased to USD 44.10/bbl, 0.4% higher compared to Q2/16, while the **average realized crude price** increased to USD 37.41/bbl in Q3/16, 1% higher than in Q2/16.

**Group daily production** decreased to 173.9 kboe/d, while total production amounted to 15.99 mn boe (Q2/16: 16.14 mn boe). The slight decrease in production was due to natural decline, partially compensated by the workover results and contribution from Lebada East NAG project, in Romania, while in Kazakhstan it was due to natural decline and facility planned maintenance.

**Group sales volumes** were slightly lower compared to the Q2/16 level, as the marginally higher sales volumes in Romania almost compensated for lower sales in Kazakhstan.

Group **production costs** in USD/boe were 7% lower than in Q2/16. Production costs in Romania decreased by 8% when expressed in USD/boe, and by 7% in RON/boe terms (RON 44.40/boe), due to lower personnel costs, lower materials and services costs, partly offset by decreased production available for sale. This was the result of the rollout of the Operational Excellence Initiatives (OEx) as well as of portfolio optimization via closing of uneconomic wells and/or the sale of marginal fields. At the beginning of October an agreement was reached on the transfer of 19 onshore oil fields to Mazarine Energy Romania S.R.L..

**Clean EBIT** decreased compared to the Q2/16 level, mostly due to lower gas prices, lower oil and gas sales volumes, which was not fully offset by lower production costs and depreciation and impairments.

**Reported EBIT** improved to RON 171 mn compared to RON 151 mn in Q2/16, as Q2/16 was affected by higher exploration expenses following write-offs of exploration assets.

**Exploration expenses** decreased to RON 19 mn in Q3/16, compared to RON 87 mn in Q2/16, as Q2/16 reflected higher write-offs of exploration assets.

**Investments** in Upstream activities, in the amount of RON 420 mn, accounted for 88% of total CAPEX of OMV Petrom in Q3/16 (Q2/16: RON 354 mn) and were mainly directed to field redevelopments, workover activities and drilling development wells.

**Exploration expenditures** increased to RON 40 mn from RON (34) mn in Q2/16, the latter reflecting credit notes received in Q2/16 from the operator in relation to joint operations.

### Third quarter 2016 (Q3/16) vs. third quarter 2015 (Q3/15)

- ▶ **Clean EBIT was impacted mainly by lower oil and gas prices**
- ▶ **Group production stable due to higher production in Romania**
- ▶ **OPEX in USD/boe down 14% driven by cost reduction and efficiency measures**

In Q3/16, **Urals crude price** averaged at USD 44.10/bbl, 11% lower compared to Q3/15. The average **realized crude price** decreased by 16% to USD 37.41/bbl.

Group daily hydrocarbon **production** was 173.9 kboe/d (Romania: 165.9 kboe/d). Total production stood at 15.99 mn boe (Romania: 15.26 mn boe), stable yoy due to higher production in Romania, despite lower capex. This was a result of a low base effect (Q3/15 was influenced by workovers at key wells and surface facility upgrades at Totea Deep), whereas Q3/16 benefitted mainly from Lebada Est NAG project, commissioned in Q2/16. Crude oil and NGL production in Romania was 6.58 mn bbl, 4% lower than in Q3/15. This mainly reflected the natural decline, which could not be fully offset due to the reduced level of investments, the increased number of wells that became uneconomic due to the unfavorable oil price environment and the planned maintenance at key wells. Gas production in Romania increased by 5% to 8.68 mn boe (Q3/15: 8.30 mn boe) as the natural decline of main fields (Bulbuceni, Bustuchin, Lebada East) has been more than compensated by additional contribution from new wells put on stream, workovers performed during the year and by the Lebada Est NAG project. In Kazakhstan, production amounted to 0.73 mn boe, 11% lower compared to the same period of 2015, mainly due to natural decline.

Group hydrocarbon **sales volumes** increased by 1% compared to Q3/15, as higher gas sales in Romania more than offset lower oil and NGL volumes from Romania and lower hydrocarbon sales from Kazakhstan.

In Q3/16, we finalized drilling of 8 new wells and sidetracks, compared to 20 new wells and sidetracks in the same period last year.

Group **production costs** (OPEX) in USD/boe were 14% lower than in Q3/15, mainly due to lower services, personnel and materials costs, higher production available for sale and favorable FX rates. In Romania, production costs in USD/boe decreased by 14% to USD 11.11/boe, while in RON terms, they stood at RON 44.40/boe, 13% below the Q3/15 level.

**Clean EBIT** declined to RON 193 mn, mainly driven by significantly lower oil, gas and NGL prices, as well as decreased oil sales volumes, partly compensated by lower production costs, exploration expenses, royalties, depreciation and impairments and favorable FX effects (USD 0.4% stronger against RON). In Q3/15 the oil price hedges for the period Q4/15 through Q2/16 were monetized, which together with the oil price hedges for Q3/15, have improved the clean EBIT by RON 84 mn.

Q3/16 **reported EBIT** was influenced mainly by personnel restructuring charges, whereas Q3/15 reflected special charges of RON (823) mn, predominantly impairments of production assets as a consequence of reduced oil price assumptions.

**Exploration expenses** decreased to RON 19 mn in Q3/16, compared to RON 62 mn in Q3/15 mostly related to the Neptun block and lower onshore seismic acquisition/processing performed in 2016.

**Investments** in Upstream activities were at the amount of RON 420 mn, 50% below Q3/15 level, when it was influenced by the Neptun Deep project (drilling campaign finalized in January 2016) and lower investments in field redevelopment projects.

**Exploration expenditures** decreased to RON 40 mn mainly due to finalized drilling activities in the Black Sea.

## Downstream

Q2/16	Q3/16	Q3/15	Δ%	in RON mn	9m/16	9m/15	Δ%
275	364	121	202	EBIT	998	887	13
3	33	(9)	n.m.	Special items	154	96	56
137	(61)	(374)	84	CCS effect: Inventory holding gains/(losses) <sup>1</sup>	14	(109)	n.m.
135	393	503	(22)	Clean CCS EBIT <sup>1</sup>	830	900	(8)
166	403	560	(28)	thereof Downstream Oil	824	1,037	(21)
(31)	(10)	(56)	82	thereof Downstream Gas	6	(137)	n.m.
321	588	690	(15)	Clean CCS EBITD <sup>1</sup>	1,387	1,450	(4)
212	57	82	(30)	CAPEX	328	203	62

Q2/16	Q3/16	Q3/15	Δ%	Downstream Oil KPIs	9m/16	9m/15	Δ%
6.82	5.96	9.87	(40)	Indicator refining margin (USD/bbl)	6.92	9.03	(23)
0.81	1.16	1.13	3	Refining input (mn t) <sup>2</sup>	3.07	3.09	(1)
68	97	94	3	Refinery utilization rate (%)	86	87	(1)
1.13	1.39	1.37	1	Total refined product sales (mn t)	3.66	3.69	(1)
0.63	0.73	0.71	2	thereof retail sales volumes (mn t) <sup>3</sup>	1.92	1.87	2
				<b>Downstream Gas KPIs</b>			
10.75	11.44	10.85	5	Gas sales volumes (TWh)	36.19	38.11	(5)
9.67	8.89	8.45	5	thereof to third parties (TWh)	31.45	34.55	(9)
60.0	60.0	60.0	-	Average regulated domestic gas price for households (RON/MWh)	60.0	55.5	8
0.48	1.20	1.12	7	Net electrical output (TWh)	2.11	1.52	38
128	146	183	(20)	OPCOM spot average electricity base load price (RON/MWh)	138	158	(12)

<sup>1</sup> Current cost of supply (CCS): Clean CCS EBIT eliminates special items and inventory holding gains/losses (CCS effects) resulting from Downstream Oil

<sup>2</sup> Figures include crude and semi-finished products, in line with OMV Group reporting standard

<sup>3</sup> Retail sales volumes refer to sales via Group's filling stations in Romania, Bulgaria, Serbia and the Republic of Moldova. Figures also reflected wholesales in the Republic of Moldova until end-2015, when reporting changed; historical figures were not adjusted accordingly.

### Third quarter 2016 (Q3/16) vs. second quarter 2016 (Q2/16)

- ▶ **Downstream Oil: Significantly higher refinery utilization rate following turnaround completion**
- ▶ **Seasonally higher sales volumes compensated lower refining margin**
- ▶ **Downstream Gas: Higher gas sales volumes, supported by integration with the Brazi power plant**
- ▶ **Significantly higher net electrical output, in the context of improved spark spreads**

Clean CCS EBIT of RON 393 mn significantly increased compared to RON 135 mn in Q2/16, mainly driven by the higher contribution of Downstream Oil, following the Q2/16 refinery turnaround. **Reported EBIT** was RON 364 mn, reflecting negative CCS effects of RON (61) mn, due to decreased crude prices, partly compensated by a **special income** of RON 33 mn, relating mainly to a provision reversal due to the clearance of a legal dispute.

The **Downstream Oil** Clean CCS EBIT of RON 403 mn in Q3/16 significantly increased following the Q2/16 planned turnaround at the Petrobrazi refinery and benefitting from the seasonally high sales channels performance.

The OMV Petrom indicator refining margin decreased from USD 6.82/bbl in Q2/16 to USD 5.96/bbl in Q3/16, mainly triggered by lower gasoline spreads. The refinery utilization rate was 97% (Q2/16: 68%) following the Q2/16 planned turnaround.

Total refined product sales increased by 22% following the Q2/16 refinery turnaround. Group retail sales volumes, which accounted for 53% of total refined product sales, also improved, benefitting from seasonally higher demand. Non-retail sales volumes were higher vs. Q2/16, reflecting a good sales performance in the wholesale segment despite increased competition in the operating region.

The **Downstream Gas** Clean EBIT in Q3/16 was RON (10) mn vs. RON (31) mn in Q2/16, reflecting better performance on both gas and power markets.

As per our internal estimates, the national gas demand dropped by approx. 2% vs. Q2/16, while OMV Petrom gas sales volumes increased by 6%, mainly due to a higher off-take by the Brazi power plant. At the end of Q3/16, OMV Petrom's storage level was 3.3 TWh.

On the Romanian centralized markets, which were characterized by slightly improved liquidity, the price of natural gas from domestic production varied between RON 67/MWh and RON 85/MWh for gas deliveries in Q3/16-Q4/16<sup>2</sup>. In Q3/16, the regulated domestic gas price for household consumers was RON 60/MWh, unchanged vs. Q2/16.

As per currently available information from the grid operator, national gross electricity production increased by 13% compared to Q2/16, while national demand increased by 7%, which translated in an approx. double net export balance. According to OPCOM, the base load electricity price averaged RON 146/MWh (Q2/16: RON 128/MWh), while the peak load electricity price averaged RON 158/MWh (Q2/16: RON 137/MWh).

In the context of improved spark spreads, the Brazi power plant net electrical output increased by 156% vs. Q2/16, to 1.18 TWh, supplying both forward and spot markets. The Dorobantu wind park generated an 11% seasonally lower net output of 0.01 TWh, receiving around 21,000 green certificates, half of them eligible for sale after January 1, 2018.

Total **Downstream investments** were at the amount of RON 57 mn (Q2/16: RON 212 mn), thereof RON 56 mn in Downstream Oil (Q2/16: RON 206 mn). The decrease was driven mainly by the fact that Q2/16 included the Petrobrazi refinery turnaround.

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### Third quarter 2016 (Q3/16) vs. third quarter 2015 (Q3/15)

- ▶ **Downstream Oil: Lower refining contribution reflecting weaker refining margin environment**
- ▶ **Improving oil product demand led to higher retail sales volumes**
- ▶ **Downstream Gas: Higher gas sales volumes, despite lower market demand**
- ▶ **Higher Brazi power plant output, on improved portfolio optimization**

**Clean CCS EBIT** decreased to RON 393 mn in Q3/16 (Q3/15: RON 503 mn), reflecting the lower contribution of the Downstream Oil segment, partly compensated by the improved result of Downstream Gas.

In Q3/16, the **Downstream Oil** Clean CCS EBIT decreased by 28% vs. Q3/15, mainly due to the lower refining margin environment, despite increased performance on sales channels.

The OMV Petrom indicator refining margin decreased significantly from USD 9.87/bbl in Q3/15 to USD 5.96/bbl in Q3/16, driven by lower product spreads, partially compensated by lower costs for crude consumed. The refinery utilization rate increased to 97% (Q3/15: 94%), following the Q2/16 turnaround and supported by increased demand.

Total refined product sales slightly increased by 1% compared with Q3/15, reflecting improved retail sales. Group retail sales volumes increased by 2% compared to Q3/15 due to the positive development of demand influenced by the favorable product pricing environment. Until end-2015, Group retail sales volumes also included wholesales in the Republic of Moldova. On a comparable basis, Group retail sales volumes would have increased by 5% yoy. Non-retail sales volumes remained at the same level as in Q3/15, reflecting good sales performance in the wholesale segment despite increased competition in the operating region.

The **Downstream Gas** Clean EBIT was RON (10) mn in Q3/16, compared to RON (56) mn in Q3/15, as a result of improved operational performance in both gas and power businesses despite a weaker market environment.

As per OMV Petrom's estimates, national gas demand decreased by approx. 6% compared to Q3/15. However, OMV Petrom's total gas sales volumes went up by 5%, even against the additional challenge coming from the import gas that is becoming increasingly important in the national gas supply mix.

As per currently available information from the grid operator, both national gross electricity production and demand increased by 2% compared to the same quarter of 2015, with the net export balance being

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<sup>2</sup> *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*

roughly stable. According to OPCOM, the base load electricity price decreased by 20% vs. Q3/15, while the peak load electricity price decreased by 22%.

In Q3/16, capitalizing on improved portfolio optimization, both on forward and spot markets, the Brazi power plant generated a 7% higher net electrical output, while the Dorobantu wind park delivered a 6% lower output vs. Q3/15.

Total **Downstream investments** decreased by 30% vs. RON 82 mn in Q3/15, mainly due to the fact that many refinery projects were finalized during the Q2/16 turnaround.

**Group interim condensed consolidated financial statements as of and for the period ended September 30, 2016 (unaudited)**

**Interim condensed consolidated income statement (unaudited)**

Q2/16	Q3/16	Q3/15	Interim condensed consolidated income statement (in RON mn)	9m/16	9m/15
3,633.09	4,460.51	4,815.80	Sales revenues	11,652.14	13,626.78
(66.96)	(66.06)	(88.85)	Direct selling expenses	(211.72)	(300.04)
(2,966.66)	(3,475.85)	(4,325.65)	Production costs of sales	(9,359.27)	(10,724.48)
<b>599.47</b>	<b>918.60</b>	<b>401.30</b>	<b>Gross profit</b>	<b>2,081.15</b>	<b>2,602.26</b>
79.22	71.37	129.27	Other operating income	417.29	415.88
(245.75)	(246.00)	(233.89)	Selling expenses	(705.59)	(699.46)
(26.48)	(35.94)	(45.57)	Administrative expenses	(99.84)	(144.36)
(86.78)	(19.46)	(61.64)	Exploration expenses	(163.06)	(261.19)
(101.62)	(115.41)	(155.02)	Other operating expenses	(396.13)	(598.41)
<b>218.06</b>	<b>573.16</b>	<b>34.45</b>	<b>Earnings before interest and taxes (EBIT)</b>	<b>1,133.82</b>	<b>1,314.72</b>
2.10	1.81	4.08	Income from associated companies	7.14	7.82
14.49	85.79	69.66	Interest income	169.63	218.76
(85.31)	(113.37)	(151.06)	Interest expenses	(274.32)	(303.24)
(17.46)	9.84	(5.30)	Other financial income and expenses	(4.16)	15.12
<b>(86.18)</b>	<b>(15.93)</b>	<b>(82.62)</b>	<b>Net financial result</b>	<b>(101.71)</b>	<b>(61.54)</b>
<b>131.88</b>	<b>557.23</b>	<b>(48.17)</b>	<b>Profit/(loss) before tax</b>	<b>1,032.11</b>	<b>1,253.18</b>
(15.24)	(84.40)	2.57	Taxes on income	(154.42)	(262.44)
<b>116.64</b>	<b>472.83</b>	<b>(45.60)</b>	<b>Net income/(loss) for the period</b>	<b>877.69</b>	<b>990.74</b>
<b>117.73</b>	<b>473.27</b>	<b>(42.76)</b>	<b>thereof attributable to stockholders of the parent</b>	<b>881.54</b>	<b>998.60</b>
(1.09)	(0.44)	(2.84)	thereof attributable to non-controlling interests	(3.85)	(7.86)
<b>0.0021</b>	<b>0.0084</b>	<b>(0.0008)</b>	<b>Basic earnings/(loss) per share (RON)</b>	<b>0.0156</b>	<b>0.0176</b>

**Interim condensed consolidated statement of comprehensive income (unaudited)**

Q2/16	Q3/16	Q3/15	Interim condensed consolidated statement of comprehensive income (in RON mn)	9m/16	9m/15
<b>116.64</b>	<b>472.83</b>	<b>(45.60)</b>	<b>Net income/(loss) for the period</b>	<b>877.69</b>	<b>990.74</b>
(0.06)	(6.10)	(6.22)	Exchange differences from translation of foreign operations	(7.92)	(6.74)
(2.74)	-	47.05	Gains/(losses) on hedges	(14.21)	36.91
<b>(2.80)</b>	<b>(6.10)</b>	<b>40.83</b>	<b>Total of items that may be reclassified ("recycled") subsequently to the income statement</b>	<b>(22.13)</b>	<b>30.17</b>
(8.35)	5.52	(3.85)	Income tax relating to items that may be reclassified ("recycled") subsequently to the income statement	13.70	(20.34)
<b>(8.35)</b>	<b>5.52</b>	<b>(3.85)</b>	<b>Total income taxes relating to components of other comprehensive income</b>	<b>13.70</b>	<b>(20.34)</b>
<b>(11.15)</b>	<b>(0.58)</b>	<b>36.98</b>	<b>Other comprehensive income/(loss) for the period, net of tax</b>	<b>(8.43)</b>	<b>9.83</b>
<b>105.49</b>	<b>472.25</b>	<b>(8.62)</b>	<b>Total comprehensive income/(loss) for the period</b>	<b>869.26</b>	<b>1,000.57</b>
108.39	471.57	(6.51)	thereof attributable to stockholders of the parent	870.87	1,010.80
(2.90)	0.68	(2.11)	thereof attributable to non-controlling interests	(1.61)	(10.23)

## Interim condensed consolidated statement of financial position (unaudited)

Interim condensed consolidated statement of financial position (in RON mn)	September 30, 2016	December 31, 2015
<b>Assets</b>		
Intangible assets	2,528.36	2,430.02
Property, plant and equipment	28,450.52	29,278.19
Investments in associated companies	43.88	40.69
Other financial assets	2,744.71	2,627.56
Other assets	79.02	80.29
Deferred tax assets	1,531.58	1,562.88
<b>Non-current assets</b>	<b>35,378.07</b>	<b>36,019.63</b>
Inventories	1,996.15	1,965.12
Trade receivables	1,331.43	1,318.28
Other financial assets	102.24	257.09
Other assets	510.08	626.90
Cash and cash equivalents	1,802.93	812.56
<b>Current assets</b>	<b>5,742.83</b>	<b>4,979.95</b>
Assets held for sale	285.97	118.58
<b>Total assets</b>	<b>41,406.87</b>	<b>41,118.16</b>
<b>Equity and liabilities</b>		
Capital stock	5,664.41	5,664.41
Reserves	20,949.90	20,078.72
<b>Stockholders' equity</b>	<b>26,614.31</b>	<b>25,743.13</b>
Non-controlling interests	(56.79)	(55.10)
<b>Total equity</b>	<b>26,557.52</b>	<b>25,688.03</b>
Provisions for pensions and similar obligations	237.35	238.72
Interest-bearing debts	1,215.71	1,423.70
Provisions for decommissioning and restoration obligations	8,197.98	7,941.21
Other provisions	491.11	498.99
Other financial liabilities	169.30	266.26
Deferred tax liabilities	0.00	12.72
<b>Non-current liabilities</b>	<b>10,311.45</b>	<b>10,381.60</b>
Trade payables	2,025.27	2,317.81
Interest-bearing debts	447.02	378.72
Income tax liabilities	86.50	107.10
Other provisions and decommissioning	651.30	911.08
Other financial liabilities	306.92	548.13
Other liabilities	882.17	775.27
<b>Current liabilities</b>	<b>4,399.18</b>	<b>5,038.11</b>
Liabilities associated with assets held for sale	138.72	10.42
<b>Total equity and liabilities</b>	<b>41,406.87</b>	<b>41,118.16</b>

### Interim condensed consolidated statement of changes in equity (unaudited)

in RON mn	Share capital	Revenue reserves	Other reserves <sup>1</sup>	Treasury shares	Stockholders' equity	Non-controlling interests	Total Equity
<b>January 1, 2016</b>	<b>5,664.41</b>	<b>20,059.80</b>	<b>18.94</b>	<b>(0.02)</b>	<b>25,743.13</b>	<b>(55.10)</b>	<b>25,688.03</b>
Net income/(loss) for the period	-	881.54	-	-	881.54	(3.85)	877.69
Other comprehensive income/(loss) for the period	-	-	(10.67)	-	(10.67)	2.24	(8.43)
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>881.54</b>	<b>(10.67)</b>	<b>-</b>	<b>870.87</b>	<b>(1.61)</b>	<b>869.26</b>
Dividend distribution	-	-	-	-	-	(0.08)	(0.08)
Other increases	-	-	0.31	-	0.31	-	0.31
<b>September 30, 2016</b>	<b>5,664.41</b>	<b>20,941.34</b>	<b>8.58</b>	<b>(0.02)</b>	<b>26,614.31</b>	<b>(56.79)</b>	<b>26,557.52</b>

in RON mn	Share capital	Revenue reserves	Other reserves <sup>1</sup>	Treasury shares	Stockholders' equity	Non-controlling interests	Total Equity
<b>January 1, 2015</b>	<b>5,664.41</b>	<b>21,341.07</b>	<b>36.11</b>	<b>(0.02)</b>	<b>27,041.57</b>	<b>(36.29)</b>	<b>27,005.28</b>
Net income/(loss) for the period	-	998.60	-	-	998.60	(7.86)	990.74
Other comprehensive income/(loss) for the period	-	-	12.20	-	12.20	(2.37)	9.83
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>998.60</b>	<b>12.20</b>	<b>-</b>	<b>1,010.80</b>	<b>(10.23)</b>	<b>1,000.57</b>
Dividend distribution	-	(634.41)	-	-	(634.41)	(0.09)	(634.50)
Change in interests	-	-	-	-	-	0.01	0.01
<b>September 30, 2015</b>	<b>5,664.41</b>	<b>21,705.26</b>	<b>48.31</b>	<b>(0.02)</b>	<b>27,417.96</b>	<b>(46.60)</b>	<b>27,371.36</b>

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

## Interim condensed consolidated statement of cash flows (unaudited)

Q2/16	Q3/16	Q3/15	Summarized interim condensed consolidated statement of cash flows (in RON mn)	9m/16	9m/15
<b>131.88</b>	<b>557.23</b>	<b>(48.17)</b>	<b>Profit/(loss) before tax</b>	<b>1,032.11</b>	<b>1,253.18</b>
(15.03)	(61.09)	(8.13)	Net change in provisions	(208.50)	(234.56)
(9.93)	0.01	(0.64)	Losses/(gains) on the disposal of non-current assets	(8.32)	(5.22)
916.51	850.36	1,661.10	Depreciation, amortization and impairments including write-ups	2,597.33	3,508.55
(20.95)	(9.48)	(8.39)	Net interest received / (paid)	(42.94)	116.40
(25.42)	(27.80)	(178.71)	Tax on profit paid	(134.17)	(598.74)
26.12	(33.59)	75.54	Other non-monetary adjustments	(14.66)	(37.26)
<b>1,003.18</b>	<b>1,275.64</b>	<b>1,492.60</b>	<b>Sources of funds <sup>1</sup></b>	<b>3,220.85</b>	<b>4,002.35</b>
(208.07)	(35.21)	118.25	(Increase)/decrease in inventories	(34.53)	174.49
210.68	72.18	(50.55)	(Increase)/decrease in receivables	104.71	(153.67)
(122.81)	300.41	168.54	(Decrease)/increase in liabilities	93.25	156.02
<b>882.98</b>	<b>1,613.02</b>	<b>1,728.84</b>	<b>Cash flow from operating activities</b>	<b>3,384.28</b>	<b>4,179.19</b>
(754.53)	(500.52)	(1,030.99)	Intangible assets and property, plant and equipment	(2,265.85)	(3,929.33)
1.92	2.13	21.66	Proceeds from sale of non-current assets	8.34	46.29
<b>(752.61)</b>	<b>(498.39)</b>	<b>(1,009.33)</b>	<b>Cash flow from investing activities</b>	<b>(2,257.51)</b>	<b>(3,883.04)</b>
(59.26)	(35.92)	(266.42)	Decrease in borrowings	(136.35)	(116.85)
(0.22)	(0.10)	(0.88)	Dividends paid	(0.50)	(629.23)
<b>(59.48)</b>	<b>(36.02)</b>	<b>(267.30)</b>	<b>Cash flow from financing activities</b>	<b>(136.85)</b>	<b>(746.08)</b>
0.19	(0.14)	(1.67)	Effect of exchange rate changes on cash and cash equivalents	0.45	4.55
<b>71.08</b>	<b>1,078.47</b>	<b>450.54</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>990.37</b>	<b>(445.38)</b>
653.38	724.46	372.06	Cash and cash equivalents at beginning of period	812.56	1,267.98
<b>724.46</b>	<b>1,802.93</b>	<b>822.60</b>	<b>Cash and cash equivalents at end of period</b>	<b>1,802.93</b>	<b>822.60</b>
<b>130.37</b>	<b>1,114.63</b>	<b>719.51</b>	<b>Free cash flow</b>	<b>1,126.77</b>	<b>296.15</b>
<b>130.15</b>	<b>1,114.53</b>	<b>718.63</b>	<b>Free cash flow after dividends</b>	<b>1,126.27</b>	<b>(333.08)</b>

<sup>1</sup> representing cash generated from operating activities before working capital movements

## **Selected notes to the interim consolidated financial statements as of and for the period ended September 30, 2016**

### **Legal principles**

The interim condensed consolidated financial statements as of and for the nine month period ended September 30, 2016 (9m/16) 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, 2015.

The interim condensed consolidated financial statements for 9m/16 included in this report are unaudited and an external limited review by an auditor was not performed.

The interim condensed consolidated financial statements for 9m/16 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, 2015, except as described herein.

The following new and amended standards and interpretations have been implemented since January 1, 2016. None has had a material impact on the interim condensed consolidated financial statements.

- Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IAS 1 Disclosure Initiative
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization
- Amendments to IAS 27 Equity Method in Separate Financial Statements
- Annual Improvements to IFRSs 2012-2014 Cycle
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investments Entities: Applying the Consolidation Exception

In addition to those presented in the Group's annual consolidated financial statements for the year ended December 31, 2015, the following standards, revisions and interpretations were issued by IASB, but are not yet effective, were not yet adopted by the EU and were not early adopted by the Group:

- Clarifications to IFRS 15 Revenue from Contracts with Customers
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses
- Amendments to IAS 7 Disclosure Initiative
- Amendments to IFRS 2 Classification and Measurement of Share based Payment Transactions

Potential effects in the respective years of initial application are currently being evaluated by management.

### **Changes in the consolidated Group**

Compared with the consolidated financial statements as of December 31, 2015, the subsidiaries OMV Petrom Ukraine E&P GmbH and OMV Petrom Ukraine Finance Services GmbH were liquidated during Q2/16, having an immaterial effect on the Group's financials.

The detailed structure of the consolidated companies in OMV Petrom Group at September 30, 2016 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 nine month period ended September 30, 2016 is given as part of the description of OMV Petrom Group's Business Segments in the Director's 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 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, detailed below.

Q2/16	Q3/16	Q3/15	Δ%	NBR FX rates	9m/16	9m/15	Δ%
4.498	4.465	4.429	1	Average EUR/RON FX rate	4.485	4.441	1
3.984	3.999	3.982	0	Average USD/RON FX rate	4.019	3.986	1
4.521	4.452	4.417	1	Closing EUR/RON FX rate	4.452	4.417	1
4.062	3.982	3.934	1	Closing USD/RON FX rate	3.982	3.934	1

### Notes to the income statement

#### Income tax

Q2/16	Q3/16	Q3/15	In RON mn	9m/16	9m/15
15.24	84.40	(2.57)	Taxes on income	154.42	262.44
37.27	68.23	115.94	Current taxes	133.01	420.02
(22.03)	16.17	(118.51)	Deferred taxes– expense / (revenue)	21.41	(157.58)
12%	15%	5%	Group effective tax rate	15%	21%

### Notes to the statement of financial position

#### Commitments

As at September 30, 2016 OMV Petrom Group had commitments for investments of RON 694 mn (December 31, 2015: RON 1,261 mn) mainly relating to exploration and production activities in Upstream.

#### Inventories

During the nine months ended September 30, 2016, there were no material write downs of inventories.

#### Equity

At the Annual General Meeting of Shareholders held on April 26, 2016, the shareholders of OMV Petrom S.A. approved the Executive Board's proposal not to distribute dividends for the financial year 2015.

#### Financial liabilities

As of September 30, 2016, short- and long-term interest bearing debts and finance leases amounted to RON 1,927 mn (December 31, 2015: RON 2,099 mn), thereof RON 264 mn liabilities for finance leases (December 31, 2015: RON 296 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)	September 30, 2016				December 31, 2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Derivatives designated and effective as hedging instruments	-	-	-	-	-	-	-	-
Other derivatives	-	1.06	-	1.06	-	105.16	-	105.16
<b>Total</b>	<b>-</b>	<b>1.06</b>	<b>-</b>	<b>1.06</b>	<b>-</b>	<b>105.16</b>	<b>-</b>	<b>105.16</b>

Financial instruments on liability side (in RON mn)	September 30, 2016				December 31, 2015			
	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	-	(4.41)	-	(4.41)	-	(102.05)	-	(102.05)
<b>Total</b>	<b>-</b>	<b>(4.41)</b>	<b>-</b>	<b>(4.41)</b>	<b>-</b>	<b>(102.05)</b>	<b>-</b>	<b>(102.05)</b>

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 1,663 mn (December 31, 2015: RON 1,802 mn) are valued at amortized cost. The estimated fair value of these liabilities was RON 1,698 mn (December 31, 2015: RON 1,812 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

Q2/16	Q3/16	Q3/15	Δ%	in RON mn	9m/16	9m/15	Δ%
1,772.86	1,723.14	1,968.85	(12)	Upstream	5,027.16	6,422.71	(22)
58.95	58.52	68.21	(14)	Downstream <sup>1</sup>	186.86	234.05	(20)
16.64	17.34	21.39	(19)	thereof Downstream Oil	54.42	74.33	(27)
65.02	63.79	66.69	(4)	thereof Downstream Gas	215.96	246.99	(13)
(22.71)	(22.61)	(19.87)	(14)	thereof intersegmental elimination Downstream Oil and Downstream Gas	(83.52)	(87.27)	4
43.12	37.83	44.03	(14)	Corporate and Other	121.53	141.95	(14)
<b>1,874.93</b>	<b>1,819.49</b>	<b>2,081.09</b>	<b>(13)</b>	<b>Total</b>	<b>5,335.55</b>	<b>6,798.71</b>	<b>(22)</b>

### Sales to external customers

Q2/16	Q3/16	Q3/15	Δ%	in RON mn	9m/16	9m/15	Δ%
105.17	96.05	223.27	(57)	Upstream	312.57	533.93	(41)
3,517.03	4,355.60	4,587.21	(5)	Downstream	11,312.53	13,075.98	(13)
2,712.96	3,389.71	3,673.14	(8)	thereof Downstream Oil	8,384.55	10,093.99	(17)
804.07	965.89	914.07	6	thereof Downstream Gas	2,927.98	2,981.99	(2)
10.89	8.86	5.32	67	Corporate and Other	27.04	16.87	60
<b>3,633.09</b>	<b>4,460.51</b>	<b>4,815.80</b>	<b>(7)</b>	<b>Total</b>	<b>11,652.14</b>	<b>13,626.78</b>	<b>(14)</b>

### Total sales (not consolidated)

Q2/16	Q3/16	Q3/15	Δ%	in RON mn	9m/16	9m/15	Δ%
1,878.03	1,819.19	2,192.12	(17)	Upstream	5,339.73	6,956.64	(23)
3,575.98	4,414.12	4,655.42	(5)	Downstream <sup>1</sup>	11,499.39	13,310.03	(14)
2,729.60	3,407.05	3,694.53	(8)	thereof Downstream Oil	8,438.97	10,168.32	(17)
869.09	1,029.68	980.76	5	thereof Downstream Gas	3,143.94	3,228.98	(3)
(22.71)	(22.61)	(19.87)	(14)	thereof intersegmental elimination Downstream Oil and Downstream Gas	(83.52)	(87.27)	4
54.01	46.69	49.35	(5)	Corporate and Other	148.57	158.82	(6)
<b>5,508.02</b>	<b>6,280.00</b>	<b>6,896.89</b>	<b>(9)</b>	<b>Total</b>	<b>16,987.69</b>	<b>20,425.49</b>	<b>(17)</b>

<sup>1</sup> Sales Downstream = Sales Downstream Oil + Sales Downstream Gas – intersegmental elimination Downstream Oil and Downstream Gas

### Segment and Group profit

Q2/16	Q3/16	Q3/15	Δ%	in RON mn	9m/16	9m/15	Δ%
151.29	171.15	(407.01)	n.m.	EBIT Upstream	242.44	288.27	(16)
274.57	363.75	120.63	202	EBIT Downstream	997.92	886.93	13
304.64	373.83	175.06	114	thereof EBIT Downstream Oil	990.67	1,022.28	(3)
(30.07)	(10.08)	(54.43)	81	thereof EBIT Downstream Gas	7.25	(135.35)	n.m.
(7.79)	(19.69)	(22.59)	13	EBIT Corporate and Other	(44.35)	(58.68)	24
<b>418.07</b>	<b>515.21</b>	<b>(308.97)</b>	<b>n.m.</b>	<b>EBIT segment total</b>	<b>1,196.01</b>	<b>1,116.52</b>	<b>7</b>
(200.01)	57.95	343.42	(83)	Consolidation: Elimination of intersegmental profits	(62.19)	198.20	n.m.
<b>218.06</b>	<b>573.16</b>	<b>34.45</b>	<b>n.m.</b>	<b>OMV Petrom Group EBIT</b>	<b>1,133.82</b>	<b>1,314.72</b>	<b>(14)</b>
<b>(86.18)</b>	<b>(15.93)</b>	<b>(82.62)</b>	<b>81</b>	<b>Net financial result</b>	<b>(101.71)</b>	<b>(61.54)</b>	<b>(65)</b>
<b>131.88</b>	<b>557.23</b>	<b>(48.17)</b>	<b>n.m.</b>	<b>OMV Petrom Group profit/(loss) before tax</b>	<b>1,032.11</b>	<b>1,253.18</b>	<b>(18)</b>

## Assets<sup>1</sup>

in RON mn	September 30, 2016	December 31, 2015
Upstream	23,739.32	24,003.63
Downstream	6,746.62	7,197.07
thereof Downstream Oil	5,250.76	5,420.51
thereof Downstream Gas	1,495.86	1,776.56
Corporate and Other	492.94	507.51
<b>Total</b>	<b>30,978.88</b>	<b>31,708.21</b>

<sup>1</sup> 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.

### Financial Ratios (presented in accordance with National Securities Commission Instruction No. 1/2006 requirements)

Financial ratio	Formula	Value
Current ratio	Current Assets / Current Liabilities <sup>1</sup>	1.33
Gearing Ratio (%)	Net debt / Equity*100	0.47
Days in receivables	Receivables average balance / Turnover*270	30.70
Fixed assets turnover <sup>2</sup>	Turnover / Fixed assets	0.50

<sup>1</sup> Current Assets include Assets held for sale and Current Liabilities include Liabilities associated with assets held for sale

<sup>2</sup> Fixed assets turnover is calculated based on turnover for Q3/16\*(360/270) days.

### Subsequent events

On October 11, the Commission for the Protection of Competition (CPC) from Bulgaria issued a Statement of Objections against 6 fuel retail chains including OMV Bulgaria OOD, within an investigation started in Q1/16. The Statement of Objections alleges the existence of a horizontal agreement (cartel) between fuel retail chains consisting in exchange of pricing data and sales volume with the aim of coordinating retail prices for gasoline and diesel. After receiving it, OMV Bulgaria OOD has 30 days to provide written objections and to request a hearing. Only after this phase, CPC will issue a final decision to continue investigation, to cancel it or to impose sanctions on the investigated companies. Therefore, at this point, we are not able to have a reliable estimation of the outcome and no provision was recorded in this respect.

There is another pending investigation before CPC which regards possible anti-competitive practices on the retail market for gasoline, diesel and propane – butane with no recent developments.

On October 17, OMV Petrom and Mazarine Energy Romania announced having reached agreement on the transfer of 19 onshore oil fields, three workover rigs and associated crews. The transfer of the licenses is being done according to all rights and obligations arising from the Petroleum Law and other related regulations. The transfer is subject to approval by the relevant authorities.

On October 20, the secondary public offering of Fondul Proprietatea of 3,641,100,108 shares (in the form of shares and global depositary receipts which represent the shares) or 6.4% stake owned in OMV Petrom was closed and led to an increase of OMV Petrom's free float to 15.8%. Citibank, N.A., a national banking association organized under the laws of the United States of America, issued 2,492,328 global depositary receipts ("GDRs") representing 373,849,200 ordinary shares with a par value of RON 0.1 per share. As of 20 October 2016, the GDRs have been admitted to listing on the standard segment of the official list of the United Kingdom Financial Conduct Authority and admitted to trading on the London Stock Exchange's main market for listed securities.

On November 2, OMV Petrom announced the appointment of Jochen Weise as interim member of the Supervisory Board as well as member and Deputy President of the Audit Committee, following Riccardo Puliti's waiver of his mandate, effective as of November 1, 2016 until the next General Meeting of Shareholders. On the same occasion Reinhard Florey was appointed as the new President of the Audit Committee.

## Declaration of the management

We confirm to the best of our knowledge that the unaudited interim condensed consolidated financial statements for the nine month period ended September 30, 2016 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 nine months of the financial year 2016 and their impact on the interim condensed consolidated financial statements, and a description of the principal risks and uncertainties.

**Bucharest, November 9, 2016**

### The Executive Board

**Mariana Gheorghe**  
Chief Executive Officer  
President of the Executive Board



**Andreas Matje**  
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.
CCS / CCS effects / Inventory holding gains / (losses)	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 (EBIT, Net income, etc.).
	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 EBIT	Earnings before interest and tax adjusted for special items and CCS effects. Group clean CCS EBIT is calculated by adding the clean CCS EBIT of Downstream Oil, the clean EBIT 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) (%)
CFPS	Cash Flow Per Share = Cash flow from operating activities divided by weighted number of shares
EBIT	Earnings before interest and tax
EBITD	Earnings Before Interest, Taxes, Depreciation and amortization, impairments and write-ups of fixed assets
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 (%)
Equity ratio	Total equity divided by total assets (%)
EUR	euro
ExxonMobil	ExxonMobil Exploration and Production Romania Limited
FX	Foreign Exchange
GDR	Global Depository Receipts
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
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
OPEX	Operating Expenditures
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) (%)
ROE	Return On Equity = Net income attributable to stockholders (as a sum of current and last three quarters) divided by average equity (on a rolling basis, as an average of last four quarters) (%)
ROFA	Return On Fixed Assets = EBIT (as a sum of current and last three quarters) divided by average intangible assets and property plant and equipment (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.
TOC	Tasbulat Oil Corporation
t	metric tonne(s)
TWh	terawatt hour
USD	United States dollar
yoy	year-on-year

## Appendix 1

### Consolidated companies in OMV Petrom Group at September 30, 2016

#### Parent company

OMV Petrom S.A.

#### Subsidiaries

Upstream		Downstream Oil	
Tasbulat Oil Corporation LLP (Kazakhstan) <sup>1</sup>	100.00%	OMV Petrom Marketing S.R.L.	100.00%
Kom Munai LLP (Kazakhstan)	95.00%	OMV Petrom Aviation S.A.	99.99%
Petrom Exploration & Production Ltd.	99.99%	ICS Petrom Moldova S.A. (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%		

<sup>1</sup> Owned through Tasbulat Oil Corporation BVI as holding company

#### 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 nine months of the financial year 2016, OMV Petrom Group had the following significant transactions with related parties (including significant balances as of September 30, 2016):

Related party (in RON mn)	Purchases 9m/16	Balances payable Sep 30, 2016
OMV Petrom Global Solutions S.R.L.	334.24	41.25
OMV Supply & Trading Limited	138.80	62.79
OMV Refining & Marketing GmbH	104.41	38.91
OMV International Services GmbH	4.37	34.72

Related party (in RON mn)	Revenues 9m/16	Balances receivable Sep 30, 2016
OMV Supply & Trading Limited	441.59	0.23
OMV Deutschland GmbH	119.79	28.31
OMV Trading GmbH	63.12	-
OMV International Services GmbH	0.92	17.06

During the first nine months of the financial year 2015, OMV Petrom Group had the following significant transactions with related parties (including significant balances as of December 31, 2015):

Related party (in RON mn)	Purchases 9m/15	Balances payable December 31, 2015
OMV Petrom Global Solutions S.R.L.	381.11	31.20
OMV Refining & Marketing GmbH	170.32	54.88
OMV Supply & Trading Limited	140.47	0.84
OMV Exploration & Production GmbH	59.58	17.73

Related party (in RON mn)	Revenues 9m/15	Balances receivable December 31, 2015
OMV Supply & Trading Limited	731.28	12.37
OMV Deutschland GmbH	184.28	22.15
OMV Supply & Trading AG	59.98	0.65
OMV International Services GmbH	2.19	14.15

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

### Contact

OMV Petrom Investor Relations

Tel: +40 372 161930; Fax: +40 21 30 68518

E-mail address: investor.relations.petrom@petrom.com

**Next release:** The next results announcement for January – December and Q4 2016 will be released on February 16, 2017, presenting OMV Petrom preliminary consolidated results prepared according to IFRS.

### Disclaimer

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