



## OMV Petrom Group: results<sup>1</sup> for January – March 2017

including interim condensed consolidated financial statements as of and for the period ended March 31, 2017

### Highlights Q1/17

- ▶ **Strong free cash flow of RON 646 mn**
- ▶ **Clean CCS Operating Result at RON 767 mn; more than half from Upstream**
- ▶ **OPEX reduced to USD 10.5/boe**

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

"In Q1/17, we were able to convert improved market fundamentals into a solid operational and financial performance. We recorded a substantially improved operating cash flow of RON 1.3 bn, which together with CAPEX reduction led to a free cash flow of RON 646 mn. Increased oil prices and higher retail demand for fuels, coupled with our continued cost discipline, were reflected in a Clean CCS Operating Result of RON 767 mn, almost half of the entire 2016 figure. In Upstream, we further reduced production costs, while production decline was in line with our 2017 guidance, helped by the contribution from the Lebada Est NAG project. The Downstream Clean CCS Operating Result increased by 3% yoy, due to improved overall performance, strict cost management, and supported by strong refining margins. Our Q1/17 Operating Result was also supported by fiscal easing in Romania, in particular the elimination of the tax on special constructions starting January 2017.

Overall, our strong Q1/17 performance shows delivery in terms of operational excellence in all business segments, in line with our strategic objectives to enhance competitiveness in the existing portfolio."

Q4/16	Q1/17	Q1/16	Δ%	Key performance indicators (in RON mn)	2016
335	798	346	131	Operating Result <sup>2</sup>	1,476
453	767	412	86	Clean CCS Operating Result <sup>3</sup>	1,700
162	619	291	113	Net income attributable to stockholders <sup>4</sup>	1,043
263	586	330	77	Clean CCS net income attributable to stockholders <sup>3,4,5</sup>	1,162
0.0029	0.0109	0.0051	114	EPS (RON)	0.0184
0.0046	0.0103	0.0058	77	Clean CCS EPS (RON) <sup>3,5</sup>	0.0205
1,070	1,262	888	42	Cash flow from operating activities	4,454
432	646	(118)	n.m.	Free cash flow after dividends	1,558
-	-	-	n.a.	Dividend per share (RON)	0.015

<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> Income statement has been restructured in line with industry best practice. Further information to be found on page 16

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

<sup>4</sup> After deducting net result attributable to non-controlling interests

<sup>5</sup> Excludes additional special income from a legal dispute reflected in the financial result



## Content

Directors' report (condensed, unaudited).....	3
Financial highlights .....	3
Group performance.....	4
Outlook 2017 .....	7
Business segments .....	8
Upstream.....	8
Downstream.....	10
Group interim condensed consolidated financial statements (unaudited).....	12
Declaration of the management.....	22
Further information.....	23

## Directors' report (condensed, unaudited)

### Financial highlights

Q4/16	Q1/17	Q1/16	Δ%	in RON mn	2016
4,694	4,653	3,649	27	Sales <sup>1</sup>	16,647
159	471	(80)	n.m.	Operating Result Upstream <sup>2</sup>	401
295	322	360	(10)	Operating Result Downstream	1,293
(28)	(21)	(14)	(57)	Operating Result Co&O	(65)
(91)	26	80	(67)	Consolidation	(153)
<b>335</b>	<b>798</b>	<b>346</b>	<b>131</b>	<b>Operating Result Group</b>	<b>1,476</b>
<b>(193)</b>	<b>5</b>	<b>111</b>	<b>(96)</b>	<b>Special items <sup>3</sup></b>	<b>(127)</b>
(39)	8	(7)	n.m.	thereof: Personnel and restructuring	(92)
-	-	-	n.a.	Unscheduled depreciation	(65)
(154)	(3)	118	n.m.	Other	30
75	26	(177)	n.m.	CCS effects: Inventory holding gains/(losses)	(98)
246	460	(73)	n.m.	Clean Operating Result Upstream <sup>2,4</sup>	575
292	311	302	3	Clean CCS Operating Result Downstream <sup>4</sup>	1,122
(25)	(21)	(14)	(56)	Clean Operating Result Co&O <sup>4</sup>	(62)
(60)	17	196	(91)	Consolidation	65
<b>453</b>	<b>767</b>	<b>412</b>	<b>86</b>	<b>Clean CCS Operating Result <sup>4</sup></b>	<b>1,700</b>
(102)	(56)	(3)	n.m.	Net financial result	(211)
233	742	343	116	Profit before tax	1,265
160	618	288	114	Net income	1,038
162	619	291	113	Net income attributable to stockholders <sup>5</sup>	1,043
<b>263</b>	<b>586</b>	<b>330</b>	<b>77</b>	<b>Clean CCS net income attributable to stockholders <sup>4,5,7</sup></b>	<b>1,162</b>
0.0029	0.0109	0.0051	114	EPS (RON)	0.0184
0.0046	0.0103	0.0058	77	Clean CCS EPS (RON) <sup>4,7</sup>	0.0205
1,070	1,262	888	42	Cash flow from operating activities	4,454
0.0189	0.0223	0.0157	42	CFPS (RON)	0.0786
(237)	(872)	1,366	n.m.	Net debt/(cash)	(237)
n.m.	n.m.	5	n.m.	Gearing (%) <sup>6</sup>	n.m.
760	353	769	(54)	Capital expenditure	2,575
-	-	-	n.a.	Dividend per share (RON)	0.015
-	5.3	(2.3)	n.m.	ROACE (%)	4.1
-	5.5	6.3	(13)	Clean CCS ROACE (%) <sup>4,7</sup>	4.5
-	5.2	(2.7)	n.m.	ROE (%)	4.0
31	17	16	4	Group effective tax rate (%)	18
14,769	14,532	15,677	(7)	OMV Petrom Group employees at the end of the period	14,769

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 Operating Result; 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; starting with Q1/17, special items include temporary effects from commodity hedging (in order to mitigate Income Statement volatility);

<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 from a legal dispute 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

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### First quarter 2017 (Q1/17) vs. first quarter 2016 (Q1/16)

Compared to Q1/16, **sales** increased by 27%, supported by significantly higher oil prices and increased gas and power sales volumes, which more than offset the slightly lower volumes of petroleum products sold and the decrease in gas prices. Downstream Oil represented 69% of total consolidated sales, while Downstream Gas accounted for 28% and Upstream for 2% (sales in Upstream being largely intra-group sales rather than third-party sales).

**The Clean CCS Operating Result** of RON 767 mn improved compared to RON 412 mn in Q1/16, as a consequence of a more favorable market environment and better demand. Clean CCS Operating Result for Q1/17 is stated after eliminating special income of RON 5 mn, and inventory holding gains of RON 26 mn. In turn, the Q1/16 figure was stated after eliminating net special income of RON 111 mn and inventory holding losses of RON (177) mn. Starting with Q1/17, special items include temporary effects from commodity hedging (in order to mitigate Income Statement volatility).

**The Group Operating Result** for Q1/17 increased to RON 798 mn, compared to RON 346 mn in Q1/16, driven mainly by higher sales revenues and the elimination of the tax on special constructions starting 2017, while Q1/16 benefitted from a special income in relation to the final court decision to reduce the fines imposed by the Competition Council in 2011.

**The net financial result** deteriorated from a loss of RON (3) mn in Q1/16 to a loss of RON (56) mn in Q1/17, as Q1/16 was influenced by the positive outcome of the company's appeal to the fiscal review decision in the Kazakh branch.

As a result, **profit before tax** for Q1/17 of RON 742 mn was significantly higher compared with RON 343 mn recorded in Q1/16.

**The Income tax** was at the amount of RON (124) mn, while the effective tax rate was 17% in Q1/17 (Q1/16: 16%).

**Net income attributable to stockholders of the parent** was RON 619 mn, while **clean CCS net income attributable to stockholders** was RON 586 mn. **EPS** was RON 0.0109 in Q1/17 vs. RON 0.0051 in Q1/16, while **Clean CCS EPS** was RON 0.0103 compared to RON 0.0058 in Q1/16.

**Cash flow from operating activities** increased to RON 1,262 mn from RON 888 mn in Q1/16, mainly as a result of higher profit before tax. **Free cash flow after dividends** showed an inflow of funds of RON 646 mn (Q1/16: outflow of RON 118 mn).

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### First quarter 2017 (Q1/17) vs. fourth quarter 2016 (Q4/16)

**Consolidated sales** in Q1/17 amounted to RON 4,653 mn, 1% lower compared to Q4/16, mainly due to seasonally lower sales volumes of petroleum products, as well as lower volumes of electricity sold, which more than offset the positive effect of higher quotations and of increased quantities of natural gas sold, caused by colder weather conditions.

**The Clean CCS Operating Result** increased from RON 453 mn to RON 767 mn, mainly reflecting lower exploration expenses and operating costs, as well as the elimination of the tax on special constructions starting 2017. The Clean CCS Operating Result is stated after eliminating special income of RON 5 mn and inventory holding gains of RON 26 mn (Q4/16: special charges of RON (193) mn and inventory holding gains of RON 75 mn).

**The Group Operating Result** increased to RON 798 mn (Q4/16: RON 335 mn), as the Q4/16 result was also influenced by special charges, mainly in relation to the reassessment of receivables and provisions.

**The net financial result** improved from a loss of RON (102) mn in Q4/16 to a loss of RON (56) mn in Q1/17, influenced by the lower FX negative effect in relation to bank loans denominated in EUR.

As a result, **profit before tax** for Q1/17 of RON 742 mn was well above the RON 233 mn recorded in Q4/16.

**Net income attributable to stockholders of the parent** in Q1/17 was RON 619 mn, compared to RON 162 mn in Q4/16, while **clean CCS net income attributable to stockholders** increased to RON 586 mn from RON 263 mn in Q4/16. **EPS** was RON 0.0109 in Q1/17 vs. RON 0.0029 in Q4/16, while **Clean CCS EPS** was RON 0.0103 compared to RON 0.0046 in Q4/16.

**Cash flow from operating activities** amounted to RON 1,262 mn, higher than the Q4/16 level of RON 1,070 mn. **Free cash flow after dividends** amounted to RON 646 mn (Q4/16: RON 432 mn).

## Statement of financial position and capital expenditure

Summarized statement of financial position (in RON mn)	March 31, 2017	%	December 31, 2016	%
<b>Assets</b>				
<b>Non-current assets</b>	<b>34,700</b>	<b>83</b>	<b>35,129</b>	<b>85</b>
Intangible assets and property, plant and equipment	30,420	73	30,861	75
Investments in associated companies	46	0	44	0
Other non-current assets	2,689	6	2,672	6
Deferred tax assets	1,545	4	1,552	4
<b>Current assets<sup>1</sup></b>	<b>6,900</b>	<b>17</b>	<b>6,285</b>	<b>15</b>
Inventories	1,867	4	1,950	5
Trade receivables	1,415	3	1,540	4
Assets held for sale	274	1	273	1
Other current assets	3,344	8	2,522	6
<b>Total assets</b>	<b>41,600</b>	<b>100</b>	<b>41,414</b>	<b>100</b>
<b>Equity and liabilities</b>				
<b>Total equity</b>	<b>27,329</b>	<b>66</b>	<b>26,706</b>	<b>64</b>
<b>Non-current liabilities</b>	<b>10,029</b>	<b>24</b>	<b>10,087</b>	<b>24</b>
Pensions and similar obligations	223	1	225	1
Interest-bearing debts	1,111	3	1,141	3
Decommissioning and restoration obligations	7,903	19	7,923	19
Provisions and other liabilities	791	2	798	2
Deferred tax liabilities	-	-	-	-
<b>Current liabilities<sup>2</sup></b>	<b>4,242</b>	<b>10</b>	<b>4,621</b>	<b>11</b>
Trade payables	1,822	4	2,290	6
Interest-bearing debts	459	1	410	1
Liabilities associated with assets held for sale	137	0	136	0
Provisions and other liabilities	1,824	4	1,786	4
<b>Total equity and liabilities</b>	<b>41,600</b>	<b>100</b>	<b>41,414</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 353 mn (Q1/16: RON 769 mn), mainly due to reduced expenditures from Neptun Deep and the finalization of some FRD projects in 2016.

Upstream investments in Q1/17 were RON 324 mn, compared to RON 710 mn in Q1/16. Downstream investments amounted to RON 29 mn (Q1/16: RON 59 mn), thereof RON 28 mn in Downstream Oil (Q1/16: RON 58 mn). Corporate and Other CAPEX was RON 1 mn (Q1/16: RON 1 mn).

Compared to December 31, 2016, **total assets** increased by RON 186 mn, to RON 41,600 mn, mainly driven by a higher cash and cash equivalents position, which more than offset the decrease in non-current assets. The slight increase in intangible assets by RON 21 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 462 mn in property, plant and equipment, as depreciation and impairments exceeded investments during the period.

**Equity** increased to RON 27,329 mn as of March 31, 2017 compared to RON 26,706 mn as of December 31, 2016, as a result of the net profit generated in the current period. The Group's equity ratio of 66% as of end-March 2017 was slightly higher than at end-December 2016 (64%).

**Total interest bearing debt** slightly increased from RON 1,550 mn as of December 31, 2016 to RON 1,570 mn as of March 31, 2017.

The Group's liabilities other than interest bearing debt decreased by RON 457 mn, predominantly as a result of lower trade payables, broadly reflecting the reduction in capital expenditure.

Due to the significant cash balance at March 31, 2017, OMV Petrom Group maintained a **net cash** position of RON 872 mn (December 31, 2016: RON 237 mn).

## Cash flow

Summarized cash-flow statement (in RON mn)	Q1/17	Q1/16	Δ%
<b>Sources of funds</b>	<b>1,438</b>	<b>942</b>	<b>53</b>
Cash flow from operating activities	1,262	888	42
Cash flow from investing activities	(616)	(1,007)	39
<b>Free cash flow</b>	<b>646</b>	<b>(118)</b>	<b>n.m.</b>
Cash flow from financing activities	9	(41)	n.m.
Effect of exchange rates on cash and cash equivalents	(0)	0	n.m.
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>655</b>	<b>(159)</b>	<b>n.m.</b>
Cash and cash equivalents at beginning of the period	1,996	813	146
<b>Cash and cash equivalents at end of the period</b>	<b>2,651</b>	<b>653</b>	<b>306</b>
<b>Free cash flow after dividends</b>	<b>646</b>	<b>(118)</b>	<b>n.m.</b>

In Q1/17, the inflow of funds from profit before tax, adjusted for non-cash items such as depreciation and impairments, net change of provisions and other non-cash adjustments, as well as net interest and income tax paid, was RON 1,438 mn (Q1/16: RON 942 mn), while **net working capital** generated a cash outflow of RON 176 mn (Q1/16: RON 54 mn). The **Cash flow from operating activities** increased by RON 374 mn compared to Q1/16, reaching RON 1,262 mn.

In Q1/17, the **cash flow from investing activities** resulted in an outflow of RON 616 mn (Q1/16: RON 1,007 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 646 mn (Q1/16: outflow of RON 118 mn). **Free cash flow less dividend payments** resulted in a cash inflow of RON 646 mn (Q1/16: outflow of RON 118 mn).

**The Cash flow from financing activities** implied a net inflow of funds amounting to RON 9 mn (Q1/16: outflow of RON 41 mn), reflecting higher cash pooling balances payable to the associate (OMV Petrom Global Solutions), which more than offset the repayment of the tranche from the loan from the European Investment Bank.

## Risk management

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

In 2017, the main uncertainties which 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 for the full year 2017

### Market, regulatory and fiscal environment

- ▶ Average **Brent oil price** expected to be USD 55/bbl; Brent-Urals spread anticipated to slightly decrease yoy;
- ▶ **Gas** demand in Romania estimated to remain broadly flat yoy, with high competition and margin pressure;
- ▶ Starting April 1, 2017, gas producers are released from the obligation to supply households with priority. ANRE will no longer set the price at which domestic production will be sold by producers; however, the regulator will continue to set the end prices for households until June 30, 2021;
- ▶ **Power** demand anticipated to be relatively stable yoy, with positive average spark spreads;
- ▶ **Refining margins** projected to be on a similar level yoy; following a strong performance in Q1/17, refining margins are expected to trend downwards for the rest of the year; lower product prices resulting from fiscal easing in Romania will continue to support market demand;
- ▶ **Taxation:**
  - Starting April 1, 2017, the RON 72/MWh floor considered for computing the **60/40 tax** on revenues from gas price liberalization was replaced with the realized gas price;
  - Further developments are expected with respect to **upstream oil and gas taxation**, with public consultations still to take place;
  - A stable, predictable and investment-friendly fiscal and regulatory framework is a key requirement for our future investments, both onshore and offshore.

### OMV Petrom Group

- ▶ OMV Petrom expects to generate a **positive free cash flow after dividends**, through continuous cost discipline;
- ▶ **CAPEX** (including capitalized exploration and appraisal) currently anticipated to be around EUR 0.8 bn, about 40% higher yoy, with approximately 85% dedicated to Upstream;
- ▶ We aim for a **sustainable cost base** with potential upside from ongoing efficiency programs.

### Upstream

- ▶ Daily average production decline up to 3% yoy, not including portfolio optimization initiatives;
- ▶ Portfolio optimization: closing the 19 marginal fields transfer by mid year; initiating further field divestments;
- ▶ Production and development: estimated 1,000 workovers and around 70 new wells for 2017;
- ▶ Exploration: ten wells planned to be spudded until year end.

### Downstream

- ▶ Maintaining a refinery utilization rate above 90%;
- ▶ We strive to maintain gas sales volumes at around 50 TWh, against the backdrop of overall lower offtake by the Brazi power plant;
- ▶ Due to the steam turbine transformer failure on April 21, 2017, coupled with the previously announced failure of one gas turbine transformer, the Brazi power plant is currently unavailable. From today's perspective, we will be able to resume operations in Q3/17;
- ▶ Dorobantu wind park divestment: aimed to be finalized until year-end.

## Business segments

### Upstream

Q4/16	Q1/17	Q1/16	Δ%	in RON mn	2016
159	471	(80)	n.m.	Operating Result <sup>1</sup>	401
(87)	11	(7)	n.m.	Special items	(174)
246	460	(73)	n.m.	Clean Operating Result <sup>1</sup>	575
917	1,058	576	84	Clean Operating Result before depreciation	3,205
635	324	710	(54)	CAPEX	2,119

Q4/16	Q1/17	Q1/16	Δ%	Key performance indicators	2016
15.66	15.31	15.94	(4)	Total hydrocarbon production (mn boe)	63.74
170	170	175	(3)	Total hydrocarbon production (kboe/d) <sup>2</sup>	174
7.16	6.85	7.37	(7)	Crude oil and NGL production (mn bbl)	29.15
1.30	1.29	1.31	(1)	Natural gas production (bcm)	5.29
45.93	45.69	46.36	(1)	Natural gas production (bcf)	186.96
14.8	14.3	14.9	(4)	Total hydrocarbon sales volume (mn boe)	59.9
47.89	52.21	32.29	62	Average Urals price (USD/bbl)	42.10
41.55	45.09	26.69	69	Average Group realized crude price (USD/bbl)	35.58
57	41	275	(85)	Exploration expenditures (RON mn)	338
99	51	57	(10)	Exploration expenses (RON mn)	262
11.61	10.52	12.06	(13)	OPEX (USD/boe) <sup>3</sup>	11.69

<sup>1</sup>Excluding intersegmental profit elimination;

<sup>2</sup>Production figures in kboe/d are rounded;

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

#### First quarter 2017 (Q1/17) vs. first quarter 2016 (Q1/16)

- ▶ **Strong Clean Operating Result influenced by higher oil prices and lower OPEX**
- ▶ **Daily production decreased by 3%, due to natural decline and adverse weather impact in Romania as well as workovers in Kazakhstan**
- ▶ **OPEX in USD/boe down 13% driven by the elimination of the tax on special constructions and cost efficiency measures**

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

In **Romania**, daily hydrocarbon **production** was 163 kboe/d and total production stood at 14.68 mn boe. Crude oil and NGL production in Romania was 6.27 mn bbl, 6% lower than in Q1/16. This mainly reflected natural decline and the adverse weather impact. Gas production in Romania decreased by 1% to 8.41 mn boe (Q1/16: 8.50 mn boe) due to natural decline and the impact of construction activities in Totea Deep, which were partially offset by production from the offshore Lebada Est NAG compression project.

In **Kazakhstan**, total production amounted to 0.63 mn boe, 20% lower compared to the same period of 2016, mainly due to workovers at key wells and natural decline.

Group hydrocarbon **sales volumes** decreased by 4% compared to Q1/16, with lower sales both in Romania and Kazakhstan.

In Q1/17, we finalized drilling of 11 new wells and sidetracks, compared to 10 in the same period of 2016.

Group **production costs** (OPEX) in USD/boe were 13% lower than in Q1/16, mainly due to the abolition of the tax on special constructions, lower personnel and services costs, as well as favorable FX rates, partly offset by lower production available for sale. In Romania, production costs in USD/boe decreased by 14% to USD 10.50/boe, while in RON terms, they decreased to RON 44.60/boe, 11% below the Q1/16 level.

**The Clean Operating Result** improved to RON 460 mn, mainly driven by higher oil prices, lower production costs, favorable FX effects (USD 4% stronger against RON) and lower depreciation, partly offset by lower gas prices, lower oil and NGL volumes and higher royalties.

The Q1/17 **reported Operating Result** was influenced by special items, mainly in relation to the reversal of provisions.



**Exploration expenses** decreased to RON 51 mn in Q1/17, mainly due to studies and related costs write-offs that were lower compared with previous year's wells written off at the Neptun block.

**Investments** in Upstream activities were 54% below the Q1/16 level, mainly due to the Neptun Deep project (drilling campaign finalized in January 2016) and the finalization of some FRD projects during 2016. Investments in Q1/17 were mainly directed to workover activities and subsurface operations as well as the drilling of development wells.

**Exploration expenditures** decreased to RON 41 mn, as the exploration drilling activities in the Neptun Deep block were finalized in Q1/16.

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#### **First quarter 2017 (Q1/17) vs. fourth quarter 2016 (Q4/16)**

**Group daily production** was broadly stable compared to Q4/16 at 170 kboe/d, with the decrease in Kazakh production being almost compensated by higher daily production in Romania. The Romanian daily production increase was due to Totea Deep surface works in Q4/16 and good results from new wells and workovers. In Kazakhstan, production was lower by 1.3 kboe/d compared to Q4/16 due to workovers at key wells.

**Group sales volumes** were lower compared to the Q4/16 level both in Romania and Kazakhstan.

**Group production costs** in USD/boe were 9% lower than in Q4/16. Production costs in Romania decreased by 9% when expressed in USD/boe, and by 8% in RON/boe terms, due to the abolition of the tax on special constructions in Q1/17, and lower service costs, partly offset by lower production available for sale.

**The Clean Operating Result** increased compared to the Q4/16 level, mostly due to higher prices, lower production costs, exploration expenses and depreciation, as well as favorable FX effects, which were partly offset by lower oil and NGL quantities and higher royalties, following the increase of crude prices.

**The Reported Operating Result** increased by almost three times to RON 471 mn compared to Q4/16, as the Q4/16 figure of RON 159 mn was affected by special charges, mainly in relation to the reassessment of receivables and provisions.

**Exploration expenses** decreased to RON 51 mn in Q1/17, compared to RON 99 mn in Q4/16, as Q4/16 included higher reservoir studies' write-offs and one not successful offshore well.

**Investments** in Upstream activities were lower than in Q4/16 due to a high base effect, with significant work progress in major surface facility projects, FRDs and small projects in the running business towards the end of 2016.

**Exploration expenditures** decreased to RON 41 mn from RON 57 mn, mainly due to the drilling of an offshore well in Q4/16.

## Downstream

Q4/16	Q1/17	Q1/16	Δ%	in RON mn	2016
295	322	360	(10)	Operating Result	1,293
(103)	(6)	118	n.m.	Special items	51
106	17	(61)	n.m.	CCS effect: Inventory holding gains/(losses) <sup>1</sup>	120
292	311	302	3	Clean CCS Operating Result <sup>1</sup>	1,122
288	280	255	10	thereof Downstream Oil	1,112
5	32	47	(33)	thereof Downstream Gas	11
479	500	478	4	Clean CCS Operating Result before depreciation <sup>1</sup>	1,866
125	29	59	(51)	CAPEX	453

Q4/16	Q1/17	Q1/16	Δ%	Key performance indicators Downstream Oil	2016
7.14	7.58	8.06	(6)	Indicator refining margin (USD/bbl) <sup>2</sup>	6.98
1.15	1.10	1.10	1	Refining input (mn t) <sup>3</sup>	4.22
96	95	94	1	Refinery utilization rate (%)	89
1.27	1.13	1.14	(1)	Total refined product sales (mn t)	4.93
0.65	0.57	0.55	4	thereof retail sales volumes (mn t) <sup>4</sup>	2.56
<b>Key performance indicators Downstream Gas</b>					
14.17	15.50	14.01	11	Gas sales volumes (TWh)	50.36
12.41	13.75	12.88	7	thereof to third parties (TWh)	43.86
60.0	60.0	60.0	0	Average regulated domestic gas price for households (RON/MWh)	60.0
0.82	0.75	0.42	77	Net electrical output (TWh)	2.93
184	249	140	78	OPCOM spot average electricity base load price (RON/MWh)	150

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

<sup>2</sup> The actual refining margins realized by OMV Petrom may vary from the indicator refining margin due to different crude slate, product yield and operating conditions;

<sup>3</sup> Figures include crude and semi-finished products, in line with OMV Group reporting standard;

<sup>4</sup> Retail sales volumes refer to sales via Group's filling stations in Romania, Bulgaria, Serbia and the Republic of Moldova.

### First quarter 2017 (Q1/17) vs. first quarter 2016 (Q1/16)

- ▶ **Downstream Oil: Improved result due to sales channel optimization and strong refining margin**
- ▶ **Group retail sales volumes increased by 4% helped by fiscal measures in Romania**
- ▶ **Downstream Gas: Higher gas sales volumes**
- ▶ **Higher output of the Brazi power plant on the back of stronger forward position**

The **Clean CCS Operating Result** increased to RON 311 mn in Q1/17 (Q1/16: RON 302 mn), reflecting the improved contribution of Downstream Oil partly offset by a lower Clean Operating Result in Downstream Gas. The **Reported Operating Result** was RON 322 mn, reflecting positive CCS effects of RON 17 mn, due to increased crude prices and special charges of RON (6) mn, while the Q1/16 figure reflected net special income of RON 118 mn (in relation to the final court decision to reduce the fines imposed by the Competition Council in 2011) and inventory holding losses of RON (61) mn.

In Q1/17, the **Downstream Oil** Clean CCS Operating Result increased by 10% vs. Q1/16, mainly due to performance optimization in refining and sales channels as well as tight cost control.

The OMV Petrom indicator refining margin slightly decreased from USD 8.06/bbl in Q1/16 to USD 7.58/bbl in Q1/17, as a result of higher costs for crude consumed which was partially compensated by better product spreads. The refinery utilization rate reached 95% (Q1/16: 94%).

Total refined product sales were in line with Q1/16 (-1%). Group retail sales volumes, which accounted for 51% of total refined product sales, increased by 4% compared to Q1/16 supported by better demand and fiscal easing measures in Romania. The Retail result was also supported by an excellent non-oil business contribution, as well as increased sales of premium products due to more severe winter conditions. Non-retail sales dropped by 5% vs. Q1/16 as a result of sales channel optimization.

The **Downstream Gas** Clean Operating result was RON 32 mn in Q1/17, compared to RON 47 mn in Q1/16, reflecting improved overall operational performance, offset by the effect of provisions for outstanding receivables of RON (7) mn in Q1/17 vs. a reversal of RON 15 mn in Q1/16.

As per OMV Petrom's estimates, national gas demand increased by around 18% compared to Q1/16 due to colder weather, with import gas covering a higher share in supply. OMV Petrom's gas sales volumes went up by 11%, also supported by a significantly higher offtake by the Brazi power plant. Until the end of Q1/17, OMV Petrom had sold all gas volumes available in storage, similarly to Q1/16.

On the Romanian centralized markets, the gas price<sup>2</sup> varied between RON 61/MWh and RON 90/MWh for gas volumes contracted in Q1/17 and deliveries in Q1/17 (0.2 TWh) and in Q2/17 (2.9 TWh).

As per currently available information from the grid operator, national gross electricity production increased by 13% compared to the same quarter of 2016, while national demand increased by 10%; the net export balance increased by 81%.

Despite the fact that half of the Brazi power plant capacity has been unavailable due to a transformer failure in October 2016, the plant generated an 81% higher net electrical output in Q1/17, on the back of a stronger forward power sales position. The Dorobantu wind park delivered a 23% higher output and received ~45,000 green certificates, half of them eligible for sale after January 1, 2018.

**Total Downstream investments** amounted to RON 29 mn (Q1/16: RON 59 mn). Downstream Oil investments of RON 28 mn were lower vs. RON 58 mn in Q1/16, as in Q1/16, many refinery projects were in execution (and finalized during the Q2/16 turnaround). The Q1/17 investments were mostly directed to efficiency and growth opportunity projects in Petrobrazi.

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#### **First quarter 2017 (Q1/17) vs. fourth quarter 2016 (Q4/16)**

**The Clean CCS Operating Result** reached RON 311 mn with overall improvement in Downstream Gas offsetting the seasonally weaker Downstream Oil. The Q4/16 Clean CCS Operating Result is stated after eliminating net special charges of RON (103) mn, mainly in relation to the reassessment of receivables and provisions, and inventory holding gains of RON 106 mn, while Q1/17 is stated after elimination of special charges of RON (6) mn and inventory holding gains of RON 17 mn.

The **Downstream Oil** Clean CCS Operating Result of RON 280 mn in Q1/17 was lower than the Q4/16 value of RON 288 mn, impacted by lower sales, but benefitting from better refining margin.

The OMV Petrom indicator refining margin increased from USD 7.14/bbl in Q4/16 to USD 7.58/bbl in Q1/17, as a result of better product spreads, offsetting the marginal increase in cost of crude consumed. The refinery utilization rate was 95% (Q4/16: 96%).

Total refined product sales decreased by 12% vs. Q4/16 due to seasonality. Group retail sales volumes decreased by 11% vs. Q4/16. Increased competition in the operating region, harsh winter conditions and sales channel optimization affected non-retail sales volumes, which were lower by 12% vs. Q4/16.

The **Downstream Gas** Clean Operating result in Q1/17 was RON 32 mn vs. RON 5 mn in Q4/16, with improved contribution from both gas and power businesses, driven by higher gas sales volumes and spark spreads. Gas sales volumes increased by 9%, while net electrical output decreased by 8% vs. Q4/16.

Total **Downstream investments** amounted to RON 29 mn (Q4/16: RON 125 mn), mainly in Downstream Oil. The decrease was due to a high base effect, with Q4/16 investments mostly in filling stations and refining for fulfilling the legal and HSSE requirements.

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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

**Group interim condensed consolidated financial statements as of and for the period ended March 31, 2017 (unaudited)**

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

Q4/16	Q1/17	Q1/16	Interim condensed consolidated income statement (in RON mn)	2016
4,693.63	4,652.63	3,649.47	Sales revenues	16,646.60
70.85	54.60	266.70	Other operating income	488.14
(0.21)	2.24	3.23	Net income/(loss) from equity-accounted investments	6.93
<b>4,764.27</b>	<b>4,709.47</b>	<b>3,919.40</b>	<b>Total revenues and other income</b>	<b>17,141.67</b>
(1,601.99)	(1,560.70)	(1,068.38)	Purchases (net of inventory variation)	(5,304.37)
(911.55)	(791.25)	(911.65)	Production and operating expenses	(3,588.82)
(222.04)	(248.96)	(243.13)	Production and similar taxes	(903.88)
(803.58)	(762.32)	(803.60)	Depreciation, amortization and impairment charges	(3,314.10)
(570.93)	(460.94)	(377.38)	Selling, distribution and administrative expenses	(1,899.67)
(99.13)	(51.16)	(56.82)	Exploration expenses	(262.19)
(219.81)	(35.83)	(112.61)	Other operating expenses	(392.44)
<b>335.24</b>	<b>798.31</b>	<b>345.83</b>	<b>Operating Result</b>	<b>1,476.20</b>
3.15	24.15	69.35	Interest income	172.78
(82.92)	(70.40)	(75.64)	Interest expenses	(357.24)
(22.65)	(10.19)	3.46	Other financial income and expenses	(26.81)
<b>(102.42)</b>	<b>(56.44)</b>	<b>(2.83)</b>	<b>Net financial result</b>	<b>(211.27)</b>
<b>232.82</b>	<b>741.87</b>	<b>343.00</b>	<b>Profit before tax</b>	<b>1,264.93</b>
(72.86)	(123.74)	(54.78)	Taxes on income	(227.28)
<b>159.96</b>	<b>618.13</b>	<b>288.22</b>	<b>Net income for the period</b>	<b>1,037.65</b>
<b>161.67</b>	<b>618.50</b>	<b>290.54</b>	<b>thereof attributable to stockholders of the parent</b>	<b>1,043.21</b>
(1.71)	(0.37)	(2.32)	thereof attributable to non-controlling interests	(5.56)
<b>0.0029</b>	<b>0.0109</b>	<b>0.0051</b>	<b>Basic earnings per share (RON)</b>	<b>0.0184</b>

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

Q4/16	Q1/17	Q1/16	Interim condensed consolidated statement of comprehensive income (in RON mn)	2016
<b>159.96</b>	<b>618.13</b>	<b>288.22</b>	<b>Net income for the period</b>	<b>1,037.65</b>
(2.52)	2.20	(1.76)	Exchange differences from translation of foreign operations	(10.44)
-	-	(11.47)	Gains/(losses) on hedges	(14.21)
<b>(2.52)</b>	<b>2.20</b>	<b>(13.23)</b>	<b>Total of items that may be reclassified ("recycled") subsequently to the income statement</b>	<b>(24.65)</b>
15.78	-	-	Re-measurement gains on defined benefit plans	15.78
<b>15.78</b>	<b>-</b>	<b>-</b>	<b>Total of items that will not be reclassified ("recycled") subsequently to the income statement</b>	<b>15.78</b>
(22.03)	2.88	16.53	Income tax relating to items that may be reclassified ("recycled") subsequently to the income statement	(8.33)
(2.52)	-	-	Income tax relating to items that will not be reclassified ("recycled") subsequently to the income statement	(2.52)
<b>(24.55)</b>	<b>2.88</b>	<b>16.53</b>	<b>Total income taxes relating to components of other comprehensive income</b>	<b>(10.85)</b>
<b>(11.29)</b>	<b>5.08</b>	<b>3.30</b>	<b>Other comprehensive income/(loss) for the period, net of tax</b>	<b>(19.72)</b>
<b>148.67</b>	<b>623.21</b>	<b>291.52</b>	<b>Total comprehensive income for the period</b>	<b>1,017.93</b>
155.04	622.95	290.91	thereof attributable to stockholders of the parent	1,025.91
(6.37)	0.26	0.61	thereof attributable to non-controlling interests	(7.98)

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

Interim condensed consolidated statement of financial position (in RON mn)	March 31, 2017	December 31, 2016
<b>Assets</b>		
Intangible assets	2,556.81	2,535.87
Property, plant and equipment	27,863.40	28,325.55
Investments in associated companies	45.93	43.69
Other financial assets	2,609.97	2,592.93
Other assets	78.74	78.88
Deferred tax assets	1,544.88	1,552.27
<b>Non-current assets</b>	<b>34,699.73</b>	<b>35,129.19</b>
Inventories	1,867.12	1,950.01
Trade receivables	1,414.62	1,540.04
Other financial assets	217.01	211.07
Other assets	476.52	314.88
Cash and cash equivalents	2,650.89	1,996.00
<b>Current assets</b>	<b>6,626.16</b>	<b>6,012.00</b>
Assets held for sale	274.06	272.92
<b>Total assets</b>	<b>41,599.95</b>	<b>41,414.11</b>
<b>Equity and liabilities</b>		
Capital stock	5,664.41	5,664.41
Reserves	21,727.89	21,104.94
<b>Stockholders' equity</b>	<b>27,392.30</b>	<b>26,769.35</b>
Non-controlling interests	(62.90)	(63.16)
<b>Total equity</b>	<b>27,329.40</b>	<b>26,706.19</b>
Provisions for pensions and similar obligations	223.21	224.55
Interest-bearing debts	1,110.81	1,140.70
Provisions for decommissioning and restoration obligations	7,903.35	7,923.46
Other provisions	619.69	620.84
Other financial liabilities	171.73	177.25
Deferred tax liabilities	-	-
<b>Non-current liabilities</b>	<b>10,028.79</b>	<b>10,086.80</b>
Trade payables	1,821.63	2,289.75
Interest-bearing debts	458.77	409.62
Income tax liabilities	152.44	130.57
Other provisions and decommissioning	722.62	729.27
Other financial liabilities	252.68	220.29
Other liabilities	696.74	705.80
<b>Current liabilities</b>	<b>4,104.88</b>	<b>4,485.30</b>
Liabilities associated with assets held for sale	136.88	135.82
<b>Total equity and liabilities</b>	<b>41,599.95</b>	<b>41,414.11</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, 2017</b>	<b>5,664.41</b>	<b>21,116.26</b>	<b>(11.30)</b>	<b>(0.02)</b>	<b>26,769.35</b>	<b>(63.16)</b>	<b>26,706.19</b>
Net income/(loss) for the period	-	618.50	-	-	618.50	(0.37)	618.13
Other comprehensive income for the period	-	-	4.45	-	4.45	0.63	5.08
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>618.50</b>	<b>4.45</b>	<b>-</b>	<b>622.95</b>	<b>0.26</b>	<b>623.21</b>
Dividend distribution	-	-	-	-	-	-	-
<b>March 31, 2017</b>	<b>5,664.41</b>	<b>21,734.76</b>	<b>(6.85)</b>	<b>(0.02)</b>	<b>27,392.30</b>	<b>(62.90)</b>	<b>27,329.40</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, 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	-	290.54	-	-	290.54	(2.32)	288.22
Other comprehensive income for the period	-	-	0.37	-	0.37	2.93	3.30
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>290.54</b>	<b>0.37</b>	<b>-</b>	<b>290.91</b>	<b>0.61</b>	<b>291.52</b>
Dividend distribution	-	-	-	-	-	-	-
<b>March 31, 2016</b>	<b>5,664.41</b>	<b>20,350.34</b>	<b>19.31</b>	<b>(0.02)</b>	<b>26,034.04</b>	<b>(54.49)</b>	<b>25,979.55</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)

Q4/16	Q1/17	Q1/16	Summarized interim condensed consolidated statement of cash flows (in RON mn)	2016
<b>232.82</b>	<b>741.87</b>	<b>343.00</b>	<b>Profit before tax</b>	<b>1,264.93</b>
235.21	(10.21)	(132.38)	Net change in provisions	26.71
(0.69)	(0.75)	1.60	Losses/(gains) on the disposal of non-current assets	(9.01)
866.35	792.17	830.46	Depreciation, amortization and impairments including write-ups	3,463.68
(19.94)	(6.90)	(12.51)	Net interest paid	(62.88)
(70.70)	(92.19)	(80.95)	Tax on profit paid	(204.87)
18.02	14.38	(7.19)	Other non-monetary adjustments	3.36
<b>1,261.07</b>	<b>1,438.37</b>	<b>942.03</b>	<b>Sources of funds <sup>1</sup></b>	<b>4,481.92</b>
43.09	48.62	208.75	Decrease in inventories	8.56
(166.73)	(27.05)	(178.15)	Increase in receivables	(62.02)
(67.28)	(197.76)	(84.35)	(Decrease)/increase in liabilities	25.97
<b>1,070.15</b>	<b>1,262.18</b>	<b>888.28</b>	<b>Cash flow from operating activities</b>	<b>4,454.43</b>
(651.59)	(617.53)	(1,010.80)	Intangible assets and property, plant and equipment	(2,917.44)
(0.67)	-	-	Investments, loans and other financial assets	(0.67)
14.26	1.32	4.29	Proceeds from sale of non-current assets	22.60
<b>(638.00)</b>	<b>(616.21)</b>	<b>(1,006.51)</b>	<b>Cash flow from investing activities</b>	<b>(2,895.51)</b>
(238.94)	9.04	(41.17)	Increase/(decrease) in borrowings	(375.29)
(0.09)	(0.05)	(0.18)	Dividends paid	(0.59)
<b>(239.03)</b>	<b>8.99</b>	<b>(41.35)</b>	<b>Cash flow from financing activities</b>	<b>(375.88)</b>
(0.05)	(0.07)	0.40	Effect of exchange rate changes on cash and cash equivalents	0.40
<b>193.07</b>	<b>654.89</b>	<b>(159.18)</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,183.44</b>
1,802.93	1,996.00	812.56	Cash and cash equivalents at beginning of period	812.56
<b>1,996.00</b>	<b>2,650.89</b>	<b>653.38</b>	<b>Cash and cash equivalents at end of period</b>	<b>1,996.00</b>
<b>432.15</b>	<b>645.97</b>	<b>(118.23)</b>	<b>Free cash flow</b>	<b>1,558.92</b>
<b>432.06</b>	<b>645.92</b>	<b>(118.41)</b>	<b>Free cash flow after dividends</b>	<b>1,558.33</b>

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

## **Selected notes to the interim condensed consolidated financial statements as of and for the period ended March 31, 2017**

### **Legal principles**

The interim condensed consolidated financial statements as of and for the three month period ended March 31, 2017 ("Q1/17") have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as of December 31, 2016.

The interim condensed consolidated financial statements for Q1/17 included in this report are unaudited and an external limited review by an auditor was not performed.

The interim condensed consolidated financial statements for Q1/17 have been prepared in million RON (RON mn, RON 1,000,000). Accordingly there may be rounding differences.

### **General accounting policies**

The accounting policies and valuation methods adopted in preparation of the interim condensed consolidated financial statements are consistent with those followed in preparation of the Group's annual consolidated financial statements for the year ended December 31, 2016.

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

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

### **New Income Statement structure**

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

The main changes to the Consolidated Income Statement are:

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



- The new selling, distribution and administrative expenses line item includes all costs directly related to marketing and selling of products and administrative costs and also dealer commission costs which were previously presented as deduction from sales.
4. **“Depreciation, amortization and impairment charges”** are now disclosed as a separate line item.
- Previously, “depreciation, amortization and impairment charges” were included in “production cost of sales”, “selling expenses” and “administrative expenses”.
  - Impairments related to exploration assets remain part of “exploration expenses”.

For comparability reasons, figures of previous periods were restated.

### Changes in the consolidated Group

Compared with the consolidated financial statements as of December 31, 2016, there were no changes in the consolidated Group.

The detailed structure of the consolidated companies in OMV Petrom Group at March 31, 2017 is presented in the Appendix 1 to the current report.

### Seasonality and cyclicity

Seasonality is of particular significance in Downstream.

Consumption of natural gas, electricity, heat and certain oil products is seasonal and is significantly affected by climatic conditions. Natural gas consumption is generally higher during the cold winter months. Electricity consumption is also generally higher during winter as a supplementary measure to produce heat and due to fewer daylight hours and need for more artificial lighting. However, during very hot summer periods, the increased usage of air cooling systems can also significantly increase electricity consumption. Natural gas sales and electricity generation may also be significantly affected by climatic conditions, such as unusually hot or cold temperatures. Consequently, the results reflect the seasonal character of the demand for natural gas and electricity, and may be influenced by variations in climatic conditions.

Accordingly, the results of operations of the Downstream Gas business segment and, to a lesser extent, the Downstream Oil business segment, as well as the comparability of results over different periods, may be affected by changes in weather conditions.

In addition to the interim condensed consolidated financial statements and notes, further information on main factors affecting the interim condensed consolidated financial statements as of and for the three month period ended March 31, 2017 is given as part of the description of OMV Petrom Group’s Business Segments in the Directors’ Report.

### Exchange rates

OMV Petrom uses the National Bank of Romania (NBR) exchange rates in its consolidation process. Income statements of foreign subsidiaries are translated to RON using the average of daily exchange rates published by the National Bank of Romania, detailed below.

Statements of the financial position of foreign subsidiaries are translated to RON using the closing rate method based on exchange rates published by the National Bank of Romania, and are detailed below.

Q4/16	Q1/17	Q1/16	Δ%	NBR FX rates	2016
4.507	4.522	4.491	1	Average EUR/RON FX rate	4.490
4.175	4.246	4.073	4	Average USD/RON FX rate	4.057
4.541	4.551	4.474	2	Closing EUR/RON FX rate	4.541
4.303	4.262	3.935	8	Closing USD/RON FX rate	4.303

## Notes to the income statement

### Income tax

Q4/16	Q1/17	Q1/16	In RON mn	2016
<b>72.86</b>	<b>123.74</b>	<b>54.78</b>	<b>Taxes on income</b>	<b>227.28</b>
95.54	115.74	27.51	Current taxes	228.55
(22.68)	8.00	27.27	Deferred taxes – expense / (revenue)	(1.27)
31%	17%	16%	Group effective tax rate	18%

## Notes to the statement of financial position

### Commitments

As at March 31, 2017 OMV Petrom Group had commitments for investments of RON 889 mn (December 31, 2016: RON 712 mn) mainly relating to exploration and production activities in Upstream.

### Inventories

During the three months ended March 31, 2017, there were no material write downs of inventories.

### Equity

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

### Financial liabilities

As of March 31, 2017, short- and long-term interest bearing debts and finance leases amounted to RON 1,779 mn (December 31, 2016: RON 1,759 mn), thereof RON 209 mn liabilities for finance leases (December 31, 2016: RON 209 mn).

### Fair value measurement

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

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

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

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

Financial instruments on asset side (in RON mn)	March 31, 2017				December 31, 2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Derivatives designated and effective as hedging instruments	-	-	-	-	-	-	-	-
Other derivatives	-	5.26	-	5.26	-	0.05	-	0.05
<b>Total</b>	-	5.26	-	5.26	-	0.05	-	0.05

Financial instruments on liability side (in RON mn)	March 31, 2017				December 31, 2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Liabilities on derivatives designated and effective as hedging instruments	-	-	-	-	-	-	-	-
Liabilities on other derivatives	-	(22.74)	-	(22.74)	-	(9.41)	-	(9.41)
<b>Total</b>	-	(22.74)	-	(22.74)	-	(9.41)	-	(9.41)

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

Interest-bearing debts amounting to RON 1,570 mn (December 31, 2016: RON 1,550 mn) are valued at amortized cost. The estimated fair value of these liabilities was RON 1,563 mn (December 31, 2016: RON 1,538 mn). The carrying amount of all other financial assets and financial liabilities that were measured at amortized cost approximates their fair value.

## Segment reporting

### Intersegmental sales

Q4/16	Q1/17	Q1/16	Δ%	in RON mn	2016
1,839.74	1,936.48	1,531.16	26	Upstream	6,866.90
66.17	66.41	69.39	(4)	Downstream <sup>1</sup>	253.03
21.76	21.94	20.44	7	thereof Downstream Oil	76.18
76.91	78.72	87.15	(10)	thereof Downstream Gas	292.87
(32.50)	(34.25)	(38.20)	10	thereof intersegmental elimination Downstream Oil and Downstream Gas	(116.02)
47.84	40.31	40.58	(1)	Corporate and Other	169.37
<b>1,953.75</b>	<b>2,043.20</b>	<b>1,641.13</b>	<b>24</b>	<b>Total</b>	<b>7,289.30</b>

### Sales to external customers

Q4/16	Q1/17	Q1/16	Δ%	in RON mn	2016
123.44	112.52	111.35	1	Upstream	436.01
4,559.43	4,532.20	3,530.83	28	Downstream	16,172.79
3,369.31	3,215.31	2,372.81	36	thereof Downstream Oil	12,054.69
1,190.12	1,316.89	1,158.02	14	thereof Downstream Gas	4,118.10
10.76	7.91	7.29	9	Corporate and Other	37.80
<b>4,693.63</b>	<b>4,652.63</b>	<b>3,649.47</b>	<b>27</b>	<b>Total</b>	<b>16,646.60</b>

### Total sales (not consolidated)

Q4/16	Q1/17	Q1/16	Δ%	in RON mn	2016
1,963.18	2,049.00	1,642.51	25	Upstream	7,302.91
4,625.60	4,598.61	3,600.22	28	Downstream <sup>1</sup>	16,425.82
3,391.07	3,237.25	2,393.25	35	thereof Downstream Oil	12,130.87
1,267.03	1,395.61	1,245.17	12	thereof Downstream Gas	4,410.97
(32.50)	(34.25)	(38.20)	10	thereof intersegmental elimination Downstream Oil and Downstream Gas	(116.02)
58.60	48.22	47.87	1	Corporate and Other	207.17
<b>6,647.38</b>	<b>6,695.83</b>	<b>5,290.60</b>	<b>27</b>	<b>Total</b>	<b>23,935.90</b>

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

### Segment and Group profit

Q4/16	Q1/17	Q1/16	Δ%	in RON mn	2016
158.55	471.07	(80.00)	n.m.	Operating Result Upstream	400.99
294.98	322.20	359.60	(10)	Operating Result Downstream	1,292.90
298.78	302.02	312.20	(3)	thereof Operating Result Downstream Oil	1,289.45
(3.80)	20.18	47.40	(57)	thereof Operating Result Downstream Gas	3.45
(27.69)	(21.42)	(13.64)	(57)	Operating Result Corporate and Other	(64.90)
<b>425.84</b>	<b>771.85</b>	<b>265.96</b>	<b>190</b>	<b>Operating Result segment total</b>	<b>1,628.99</b>
(90.60)	26.46	79.87	(67)	Consolidation: Elimination of intersegmental profits	(152.79)
<b>335.24</b>	<b>798.31</b>	<b>345.83</b>	<b>131</b>	<b>OMV Petrom Group Operating Result</b>	<b>1,476.20</b>
<b>(102.42)</b>	<b>(56.44)</b>	<b>(2.83)</b>	<b>n.m.</b>	<b>Net financial result</b>	<b>(211.27)</b>
<b>232.82</b>	<b>741.87</b>	<b>343.00</b>	<b>116</b>	<b>OMV Petrom Group profit before tax</b>	<b>1,264.93</b>

## Assets<sup>1</sup>

in RON mn	March 31, 2017	December 31, 2016
Upstream	23,416.03	23,690.47
Downstream	6,527.92	6,689.54
thereof Downstream Oil	5,083.44	5,217.79
thereof Downstream Gas	1,444.48	1,471.75
Corporate and Other	476.26	481.41
<b>Total</b>	<b>30,420.21</b>	<b>30,861.42</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.

### Material changes in contingencies

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

## 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>	1.63
Gearing Ratio (%)	Net debt / Equity*100	n.m.
Days in receivables	Receivables average balance / Turnover*90	28.58
Fixed assets turnover <sup>2</sup>	Turnover / Fixed assets	0.61

<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 Q1/17\*(360/90) days.

## Subsequent events

**On April 21**, the steam turbine transformer of the Brazi power plant failed. The failure is under investigation to determine the impact and duration of rectifying the problem. Based on preliminary data, the current estimate is that the power plant will not be operational until Q3/17.

**On April 25**, the Ordinary General Meeting of Shareholders (OGMS) approved the 2017 Income and Expenditure Budget of OMV Petrom S.A. with investments estimated at RON 4.6 bn (which also include OMV Petrom S.A. contribution to share participation in OMV Petrom Group's subsidiaries, which are eliminated at Group level). The OGMS approved the distribution of dividends for the financial year 2016 for the gross amount of RON 850 mn (gross dividend per share of RON 0.015). The OGMS reappointed Ernst & Young Assurance Service S.R.L. as the company's financial auditor for 2017 and appointed the members of the Supervisory Board, for a four year mandate starting with April 28, 2017 until April 28, 2021.

**On April 25**, OMV Petrom announced the appointment of Stefan Waldner as member of the Executive Board and Chief Financial Officer of OMV Petrom, starting on July 1, 2017, following Andreas Matje's waiver of mandate as member of the Executive Board.

## Declaration of the management

We confirm to the best of our knowledge that the unaudited interim condensed consolidated financial statements for the three month period ended March 31, 2017 give a true and fair view of OMV Petrom Group's assets, liabilities, financial position and profit or loss, as required by the applicable accounting standards, and that the Directors' Report gives a true and fair view of important events that have occurred during the first three months of the financial year 2017 and their impact on the interim condensed consolidated financial statements, and a description of the principal risks and uncertainties.

**Bucharest, May 11, 2017**

### 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
CCS / CCS effects / Inventory holding gains / (losses)	Current cost of supply
	Inventory holding gains and losses represent the difference between the cost of sales calculated using the current cost of supply and the cost of sales calculated using the weighted average method after adjusting for any changes in valuation allowances, in case the net realizable value of the inventory is lower than its cost.
	In volatile energy markets, measurement of the costs of petroleum products sold based on historical values (e.g. weighted average cost) can have distorting effect on reported results (Operating Result, Net income, etc.).
	The amount disclosed as CCS effects represents the difference between the charge to the income statement for inventory on a weighted average basis (adjusted for the change in valuation allowances related to realizable value) and the charge based on the current cost of supply.
	The current cost of supply is calculated monthly using data from our refinery's supply and production systems at Downstream Oil level.
Clean CCS Operating Result	Operating Result adjusted for special items and CCS effects. Group clean CCS Operating Result is calculated by adding the clean CCS Operating Result of Downstream Oil, the clean Operating Result of the other segments and the reported consolidation effect adjusted for changes in valuation allowances, in case the net realizable value of the inventory is lower than its cost.
Clean CCS net income attributable to stockholders	Net income attributable to stockholders, adjusted for the after tax effect of special items and CCS
Clean CCS EPS	Clean CCS Earnings per share = Clean CCS net income attributable to stockholders divided by weighted number of shares
Clean CCS ROACE	Clean CCS Return On Average Capital Employed = NOPAT (as a sum of current and last three quarters) adjusted for the after tax effect of special items and CCS, divided by average Capital Employed (on a rolling basis, as an average of last four quarters) (%)
CFPS	Cash Flow Per Share = Cash flow from operating activities divided by weighted number of shares
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
Gearing ratio	Net debt divided by total equity (%)
HSSE	Health, Safety, Security and Environment
IFRSs; IASs	International Financial Reporting Standards; International Accounting Standards
mn	million
MWh	megawatt hour
NAG	Non-Associated Gas
NBR	National Bank of Romania
NFO	Near Field Opportunity
Net debt	Interest bearing debts plus finance lease liabilities less cash and cash equivalents
NGL	Natural Gas Liquids
n.a.	not applicable/not available (as the case may be)
n.m.	not meaningful i.e. deviation exceeds (+/-) 500% or comparison is made between positive and negative values
NOPAT	Net Operating Profit After Tax = Net income attributable to stockholders of the parent, adjusted for net interest on net borrowings, +/- result from discontinued operations, +/- tax effect of adjustments
OPCOM	The administrator of the Romanian electricity market
Operating Result	The "Operating result" includes the former indicator EBIT ("Earnings Before Interest and Taxes") and the net result from equity-accounted investments.
Operating Result before depreciation	Former EBITD = Operating Result Before Interest, Taxes, Depreciation and amortization, impairments and write-ups of fixed assets
OPEX	Operating Expenses
Q	quarter
ROACE	Return On Average Capital Employed = NOPAT (as a sum of current and last three quarters) divided by average Capital Employed (on a rolling basis, as an average of last four quarters) (%)
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) (%)
RON	Romanian leu
S.A.; S.R.L.	Societate pe Actiuni (Joint-stock company); Societate cu Raspundere Limitata (Limited liability company)
Special items	Special items are expenses and income reflected in the financial statements that are disclosed separately, as they are not part of underlying ordinary business operations.  They are being disclosed separately in order to enable investors to better understand and evaluate OMV Petrom Group's reported financial performance.
t	metric tonne(s)
TWh	terawatt hour
USD	United States dollar
yoy	year-on-year



## Appendix 1

### Consolidated companies in OMV Petrom Group at March 31, 2017

#### Parent company

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**OMV Petrom S.A.**

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#### 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%	Petrom Moldova S.R.L. (Republic of Moldova)	100.00%
		OMV Bulgaria OOD (Bulgaria)	99.90%
		OMV Srbija DOO (Serbia)	99.96%
Downstream Gas		Corporate & Other	
OMV Petrom Gas S.R.L.	99.99%	Petromed Solutions S.R.L.	99.99%
OMV Petrom Wind Power S.R.L.	99.99%		

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

#### Associated company, accounted for at equity

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

## Appendix 2

### Significant transactions with related parties

During the first three months of the financial year 2017, OMV Petrom Group had the following significant transactions with related parties (including significant balances as of March 31, 2017):

Related party (in RON mn)	Purchases Q1/17	Balances payable March 31, 2017
OMV Petrom Global Solutions S.R.L.	106.08	67.03
OMV Supply & Trading Limited	353.97	65.41
OMV Refining & Marketing GmbH	43.74	33.66

  

Related party (in RON mn)	Revenues Q1/17	Balances receivable March 31, 2017
OMV Supply & Trading Limited	232.96	7.87
OMV Deutschland GmbH	87.11	41.22
OMV Refining & Marketing GmbH	28.26	10.04

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

Related party (in RON mn)	Purchases Q1/16	Balances payable December 31, 2016
OMV Petrom Global Solutions S.R.L.	119.23	92.10
OMV Refining & Marketing GmbH	17.74	40.26
OMV Exploration & Production GmbH	12.02	14.26

  

Related party (in RON mn)	Revenues Q1/16	Balances receivable December 31, 2016
OMV Supply & Trading Limited	190.79	66.49
OMV Deutschland GmbH	38.35	30.16
OMV Trading GmbH	34.41	-
OMV International Services GmbH	0.47	20.80

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

### Contact

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**Next release:** The next results announcement for January – June and Q2 2017 will be released on August 10, 2017, presenting OMV Petrom consolidated results prepared according to IFRS.

### Disclaimer

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