



OMV Petrom

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The spoken word applies. Check against delivery.

Mariana Gheorghe

Chief Executive Officer and President of the Executive Board

Good afternoon, ladies and gentlemen, and thank you for joining us for today's conference call.

First, Andreas and I would like to provide you with an update on OMV Petrom's business environment, take you through the main operational and financial highlights and then we will review the Outlook for 2016.

This is the first time that we have in our conference call Peter Zeilinger, our new Executive Board member in charge of Upstream, who will provide you with an update on his business segment. We welcome Peter on board.

Afterwards we will open the Q&A session.

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But first, please let me draw your attention to our Legal Disclaimer, which you can read in detail on our website.

Key messages Q2/16

- ▶ Positive free cash flow supported by efficiency enhancement measures
- ▶ Upstream result impacted by lower oil and gas prices, partly offset by cost reduction initiatives
- ▶ Downstream Oil affected by weaker refining margins and turnaround; retail volumes up
- ▶ Improved operational performance in Downstream Gas supported by the integrated business model
- ▶ 2016 CAPEX guidance of EUR 0.7 bn on track



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Let me now start with the key messages for the second quarter of 2016. First, the difficult market and regulatory environment continued to affect our financial results. Despite reduced oil price levels, I am very pleased to announce that we managed to achieve a positive free cash flow after dividends and a solid cash flow from operations. This was possible, first and foremost, due to good operational performance, business integration and stringent efficiency enhancement measures.

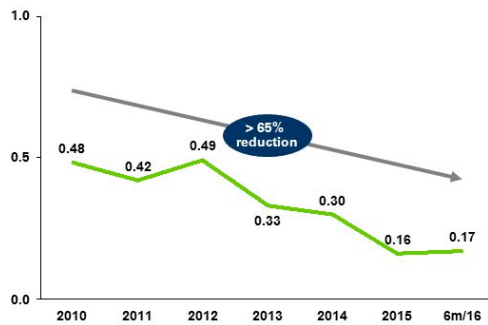
Looking at each business segment, in Upstream strict cost management was partly offset by lower realization and production volume effects, which impacted our result.

Weaker refining margins and the one-month refinery turnaround, led to lower results in Downstream Oil, while on a brighter note, retail volumes were up. Moreover, we achieved an improved operational performance in Downstream Gas.

And last but not least, we are on track to achieve the capex target we had announced for the full year.

Safety remains our top priority

LTIR¹



► Operational safety – our key focus

► LTIR substantially improved

► In the last 12 months the combined LTIR for OMV Petrom Group was constantly below IOGP² benchmark

¹ Lost time injury rate (employees and contractors) for OMV Petrom Group, excluding Kazakhstan; ² International Association of Oil & Gas Producers



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On the next slide, I would like to underline that, even in this difficult environment, our top priority remains operational safety. We managed to maintain a low level of the lost time injury rate in the first half of the year, well below the international benchmark, and we continue to keep safety a top priority in our corporate culture.



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Romanian macroeconomic and fiscal environment

Macroeconomic environment

- ▶ **Q1/16 GDP growth¹**: +4.2%
- ▶ **CPI annual inflation**: -0.7% end-June; 12-month average: -2.0%
- ▶ **Budget balance**: -0.5% of GDP end-June
- ▶ **FDI**: EUR 1.1 bn in Jan-May, +15% higher yoy
- ▶ **Investment grade rating**: stable
- ▶ **Demand in Q2/16 yoy**: Fuels² +5%; Gas -16%; Power³ stable

Fiscal framework

- ▶ **Tax on constructions** at 1%
- ▶ **Supplementary taxation⁴** until end-2016
- ▶ Engagement with stakeholders on **taxation and regulatory framework**

¹ Romanian National Institute of Statistics; ² Fuels refer only to retail diesel and gasoline; ³ According to preliminary data available from the grid operator; ⁴ Introduced at the beginning of 2013 simultaneously with the start of gas price liberalization



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Let me start with a few macroeconomic remarks on Romania. GDP growth remained robust and one of the highest in the European Union, at 4.2% for Q1/16. The CPI annual inflation rate remained in negative territory. It dropped to -0.7% at the end of June, whilst the 12-month average was -2.0%. The January-May FDI reached EUR 1.1 bn, showing a 15% increase over the same period of last year. Most importantly, the state budget was almost balanced (a deficit of only 0.5% of GDP for January-June 2016 period).

Encouragingly, the rating agencies have confirmed Romania's investment grade rating. The latest was Fitch in mid-July, which re-affirmed the triple B minus rating with stable outlook.

Looking at the Romanian energy sector, we can see that demand trends for our main products have been quite different. The fuels market, and here I refer only to retail diesel and gasoline sales, increased by 5% in Q2/16 vs. Q2/15.

In turn, for gas the downward trend continued. Demand decreased by almost 16% in Q2/16, as per our internal estimates, which was due to weaker demand from the chemicals segment and warmer weather.

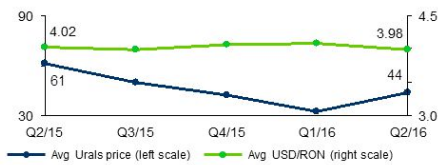
In terms of electricity, the demand was stable during the second quarter of 2016.

As to the fiscal framework, there were no changes during the second quarter of the year. Tax on constructions was kept stable at 1%, and as per the approved Fiscal Code, is set to be eliminated as of 2017. Supplementary taxation following gas price liberalization and the 0.5% tax on crude oil sales have been extended until the end of 2016. VAT was reduced at the beginning of the year and, according to the Fiscal Code, it will be further reduced by 1 percentage point to 19% starting 1 January 2017. Also, the fuel excise duty tax is to be reduced as of 1 January 2017. So there are a number of forthcoming changes envisaged for the next fiscal year.

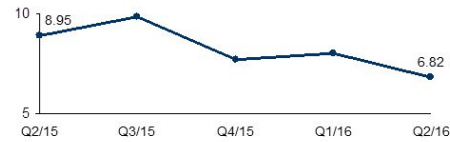
Regarding upstream oil and gas taxation, as part of the oil & gas producers' associations, we are included in the process of technical consultations with the authorities, which are expected to continue during the second half of the year. For the time being, however, no draft of the new regulation has been made available for public consultations.

Economic environment

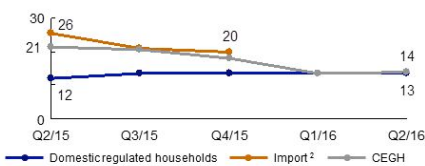
Oil price (USD/bbl) and FX (USD/RON)



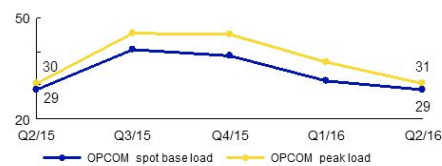
OMV Petrom Indicator refining margin (USD/bbl)



Gas prices (EUR/MWh)¹



Power prices in Romania (EUR/MWh)¹



¹ Converted from RON into EUR, FX rate: 4.5; ² Final prices published by ANRE; no import price was published by ANRE starting 2016



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Moving on to the next slide, we provide you with an overview of the economic environment in our industry.

In the chart at the upper left hand, you can see, on the green line, that the USD was slightly weaker vs. the RON both compared to Q2/15 and to Q1/16. In turn, the Urals, shown in dark blue, had somewhat mixed trends: it recovered some 12 dollars vs. Q1/16 but still remained well below the Q2/15 level of 61 dollars per barrel.

On the upper right hand, the OMV Petrom refining margin indicator has been on a downward trend vs. both reference periods. This was due to lower product spreads in Q2/16 vs. Q2/15. If compared to Q1/16, the negative impact came from both lower spreads and the recovery in crude prices, which translated into increased costs for own crude consumption.

At the bottom left, the gas price chart shows, in blue, the domestic regulated price for households at 13 EUR/MWh, unchanged since July 2015. Recently, the Government decided to keep this price level frozen until end of March next year. The orange line shows the import gas price in Romania as published by ANRE, the market regulator, but there is no official statistics available for this year. This chart also shows, for reference, the average gas price on the gas hub in Austria, which was stable vs. Q1/16, at 14 EUR/MWh.

Finally, on the lower right, you can see that power prices in Romania remained relatively unchanged vs Q2/15, at some 30 EUR/MWh, although they declined by approximately 8% vs. Q1/16.



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Financial performance 6m/16

| Key financials in RON mn | 6m/16 | 6m/15 | Δ (%) |
|---|---------------|----------------|-------------|
| EBIT | 561 | 1,280 | (56) |
| Net income attributable to stockholders | 408 | 1,041 | (61) |
| Clean CCS EBIT | 638 | 1,251 | (49) |
| Clean CCS net income attributable to stockholders ^{1,2} | 458 | 914 | (50) |
| Clean CCS Earnings Per Share (RON) | 0.0081 | 0.0161 | (50) |
| Cash flow from operating activities | 1,771 | 2,450 | (28) |
| Free cash flow before dividends | 12 | (423) | n.m. |
| Free cash flow after dividends | 12 | (1,052) | n.m. |

Figures on this and the following slides may not add up due to rounding differences.

¹ After deducting net income attributable to non-controlling interests; ² Clean CCS figures exclude special items and inventory holding effects (CCS effects) resulting from Downstream Oil



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On this slide, I will highlight only the key figures for H1/16, while Andreas will present the Q2/16 results in more detail later.

In the first half of 2016, our reported EBIT was RON 561 mn, while the reported net profit attributable to stockholders amounted to RON 408 mn.

Clean CCS EBIT declined to RON 638 mn by 49% vs. H1/15, on the back of weaker Upstream and Downstream Oil results. These were adversely impacted by lower oil and gas prices as well as weaker refining margins, partly compensated by improved Downstream Gas result.

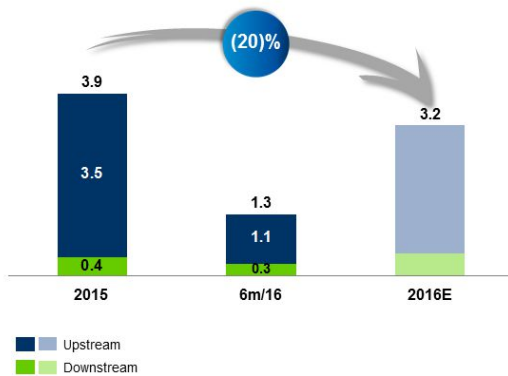
Clean CCS net income attributable to stockholders was RON 458 mn, significantly lower yoy as in 6m/16 we recorded a net financial loss due to lower net interest income.

In this difficult context, we consider it being an achievement that our free cash flow was neutral at RON 12 mn after negative cash flow of RON 423 mn in H1/15. Andreas will elaborate on Q2/16 developments in his section.

CAPEX discipline and efficiency continued

Group CAPEX

incl. capitalized E&A, in RON bn



Well on track to reduce CAPEX

- ▶ 6m/16 CAPEX down by RON 732 mn, -35% yoy
 - ▶ Upstream CAPEX down by RON 883 mn mainly due to projects prioritization
 - ▶ Downstream CAPEX up by RON 149 mn mainly due to planned refinery turnaround



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Slide 8 provides an overview of capital expenditure allocation and evolution. In H1/16, we recorded a CAPEX of approximately RON 1.3 bn, which is down by 35% from the same period last year. The majority was dedicated to Upstream, notably field redevelopments, workover activities and drilling development wells. But H1/16 included also the capitalization of demobilization costs of the deep-water rig, which was released after finalizing the drilling campaign in our Neptun Deep project in the Black Sea.

Capital expenditure in Downstream Oil was around RON 0.3 bn in H1/16. The amount included mainly the planned Petrobrazi refinery turnaround and work related to projects scheduled during the plants shutdown.

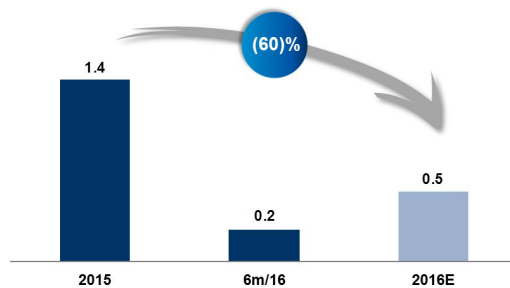
Going forward, for the full year 2016 we expect OMV Petrom Group CAPEX to be around RON 3.2 bn, around 20% down yoy, as per our original guidance.



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Significant reduction of E&A spending

E&A expenditure
in RON bn



Significantly lower E&A

- ▶ Peak level reached in 2015, due to Neptun Deep drilling campaign and onshore deep exploration (JV with Repsol)
- ▶ Lower activity level in 2016 in the Black Sea due to finalization of drilling activities in January 2016

Finally, on slide 9, you can see the change in Exploration and Appraisal expenditures. In 2015, E&A reached a peak, mainly due to capitalized expenditures related to the drilling activities in the Black Sea, as well as onshore drilling activities performed within the joint venture with Repsol.

In 2016, we expect the E&A level to decrease to around RON 0.5 bn, mainly as a result of finalizing the Neptun Deep drilling campaign.

I now hand over to Andreas, who will further drill down into our financials for Q2/16.



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Thank you, Mariana, and good afternoon, ladies and gentlemen, also from my side. Over the next few pages, I will give you a more detailed overview of our financial performance in Q2/16.

Income statement summary

| in RON mn | Q2/16 | Q2/15 | Δ (%) | Clean CCS net income attributable to stockholders in RON mn |
|--|------------|------------|-------------|---|
| EBIT | 218 | 786 | (72) | 481 |
| Financial result | (86) | 43 | n.m. | |
| Taxes | (15) | (138) | 89 | |
| Net income | 117 | 691 | (83) | |
| thereof attributable to non-controlling interests | (1.09) | (1.46) | 25 | |
| thereof attributable to stockholders | 118 | 693 | (83) | 127 |
| Clean CCS net income attributable to stockholders | 127 | 481 | (74) | |

Q2/15 Q2/16

Let me start on page 11, with the Income statement. Reported EBIT was RON 218 mn, lower by some RON 568 mn compared to Q2/15. EBIT includes a write-off of exploration assets amounting to RON (55) mn, which we classified as special item. The net financial result came in as a loss of RON 86 mn, vs. a gain of RON 43 mn in Q2/15, when we had benefitted from an interest income following a legal dispute in the past.

OMV Petrom recorded a RON 15 mn tax expense, significantly lower than the RON 138 mn figure in Q2/15, and in line with the reduction of profit before tax. As a result, we achieved a net income attributable to stockholders of RON 118 mn on a reported basis and RON 127 mn on a clean CCS basis.

Cash flow

| in RON mn | Q2/16 | Q1/16 | Q2/15 |
|--|--------------|----------------|----------------|
| Profit/(loss) before tax | 132 | 343 | 829 |
| Depreciation, amortization and impairments | 917 | 830 | 974 |
| Net interest received/(paid) | (21) | (13) | 142 |
| Tax on profit paid | (25) | (81) | (147) |
| Other | 1 | (138) | (64) |
| Sources of funds | 1,003 | 942 | 1,735 |
| Change in net working capital | (120) | (54) | (75) |
| Cash flow from operating activities (CFO) | 883 | 888 | 1,660 |
| Cash flow from investing activities (CFI) | (753) | (1,007) | (1,492) |
| (Decrease)/increase in borrowings | (59) | (41) | 179 |
| Dividends paid | (0) | (0) | (628) |
| Cash flow from financing activities (CFF) | (59) | (41) | (449) |
| Cash and equivalents at end of period | 724 | 653 | 372 |
| Free cash flow | 130 | (118) | 168 |
| Free cash flow after dividends | 130 | (118) | (460) |

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As cash is king in times like these, I'm happy to report that with an amount of RON 883 mn we managed to achieve about the same **operating cash flow** in Q2/16 like in Q1/16. Nevertheless, compared to Q2/15, our operating cash flow was 47% lower.

Comparing Q2/16 with Q2/15, the decrease in cash flow from operations reflects mainly the impact of the challenging market environment. The fall in crude oil price combined with weaker refining margins and the impact of the refinery turnaround led to the decline in profits before tax from RON 829 mn to RON 132 mn. Depreciation, amortization and impairment expenses were almost similar in the two quarters.

Another major impact on operating cash flow from Q2/15 to Q2/16 was the one-off effect of the preliminary settlement of a legal dispute, from which we had cashed in damages in Q2/15, shown in the net interest line. Taxes paid decreased in line with the development of profits.

The Q2/16 increase in net working capital was due to higher inventories triggered by the planned turnaround of our Petrobrazi refinery in Q2/16.

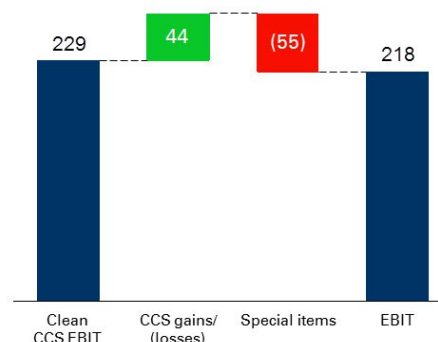
Cash flow from investments reflects both our approach to thoroughly scrutinize investments and the completion of the drilling campaign in the Neptun Block in Q1/16. As a result, the investment related cash-out in Q2/16 amounted to RON 753 mn, versus RON 1.5 bn a year ago, representing a 50% decrease.

In Q2/16, the **free cash flow** amounted to RON 130 mn, which is some RON (38) mn lower vs. Q2/15. However, there has been a substantial improvement in free cash flow compared to Q1/16, due to lower cash outflows from investments while cash from operations remained fairly stable. As a result, we managed to achieve a neutral free cash flow in the first 6 months of 2016, when the average Brent price amounted to approx. USD 40/bbl.

Key financials

| in RON mn | Q2/16 | Q2/15 | Δ (%) |
|------------------------|------------|------------|-------------|
| Clean CCS EBIT | 229 | 657 | (65) |
| Thereof Upstream | 210 | 551 | (62) |
| Downstream | 135 | 220 | (39) |
| Thereof Downstream Oil | 166 | 304 | (45) |
| Downstream Gas | (31) | (84) | 63 |
| Corporate and Other | (8) | (10) | 26 |
| Consolidation | (108) | (104) | (3) |

Special items and CCS effect in Q2/16
in RON mn



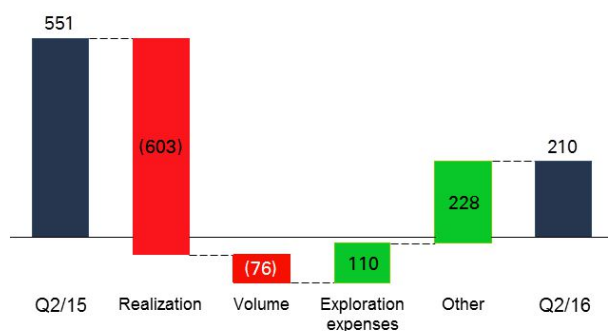
On slide 13, we present a breakdown of our operating results. **Clean CCS EBIT** of RON 229 mn, achieved in Q2/16 is approx. RON (430) mn lower compared to Q2/15. This is mainly coming from Upstream, with a Clean EBIT lower by some RON (340) mn, and from Downstream Oil with an operational result being lower by approx. RON (90) mn. The approx. RON 50 mn better result in Downstream Gas only partly offset the decline in the other two business segments. I'll present more details on the segmental performance on the following pages.

Before that, let me draw your attention to the Consolidation line. Here, the values were negative both in Q2/16 and in Q2/15, resulting mainly from unrealized profit elimination.

The chart on the slide bridges Clean CCS EBIT to EBIT for Q2/16. From the Clean CCS EBIT, inventory holding gains amounting to RON 44 mn need to be added back. These were offset by net special items amounting to RON (55) mn, which are mainly related to write-offs of exploration assets, as mentioned earlier. As a result, our reported EBIT was RON 218 mn.

Upstream – Clean EBIT impacted by lower oil prices

Clean EBIT
in RON mn



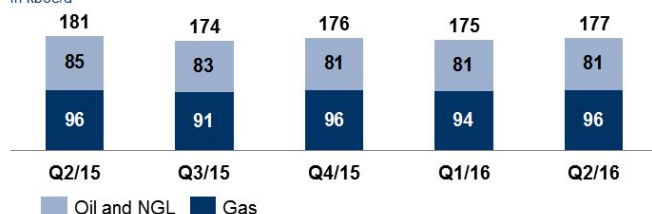
Q2/16 vs. Q2/15

- ▶ Realized oil price in USD/bbl down by 31%
- ▶ Group hydrocarbon production decreased by 2%
- ▶ Decreased exploration expenses due to lower spending in Neptun block
- ▶ Other: lower production cost and depreciation

Let me now turn to more details to the Upstream Clean EBIT development. With the realized oil prices decreasing yoy by 31% to approximately USD 44/bbl, the operational performance in Q2/16 dropped by RON (603) mn vs. Q2/15. Lower hydrocarbon volumes further adversely impacted Q2/16 results by RON (76) mn. On the other hand, exploration expenses were by RON 110 mn lower, as Q2/15 reflected the drilling campaign in the Black Sea Neptun block. Other positive developments were recorded in three main categories: first, we achieved a decrease in production costs, which I'll comment on the next page; second, royalties in Q2/16 were lower due to the oil price and; third, depreciation decreased due to a lower asset base as a consequence of the impairments booked in 2015. Overall Q2/16 Clean EBIT amounted to RON 210 mn.

Upstream – Key performance indicators

Hydrocarbon production in kboe/d



OPEX in USD/boe



Q2/16 vs. Q2/15

- ▶ Total hydrocarbon production declined by 2% due to:
 - ▶ reduced investments
 - ▶ increased number of uneconomic wells
 - ▶ planned maintenance at key wells
- ▶ OPEX in USD/boe decreased by 8% triggered by:
 - ▶ lower services, personnel and materials costs
 - ▶ partially offset by lower production

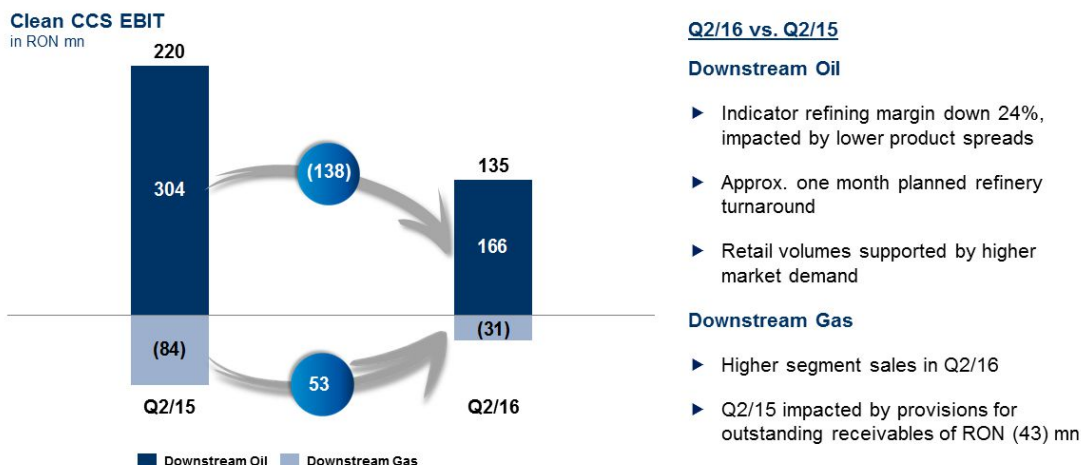
Slide 15 provides the quarterly development of both our hydrocarbon production and our production costs.

Compared to Q2/15, hydrocarbon production decreased in Q2/16 by 2%. When looking at this comparison it should be noted that Q2/15 was still positively impacted by the investments in the second half of 2014 and Q1/15. After planned maintenance works in Q3/15, production volumes have been broadly stable over the subsequent quarters, with 177 kboed in Q2/16. The lower level versus Q2/15 reflects mostly the current impact of reduced investments in our Upstream segment. In addition, we continued to shut in cash negative production wells. Finally, we also performed planned maintenance works at some key wells.

Compared to Q1/16, production increased, mainly due to workover results and to finalization of Lebada Est Non-Associated Gas project, which started production ahead of plan.

As a major priority, we continue strictly managing our OPEX. In Q2/16, our efforts led to average production costs of USD 12.1/bbl, which is 8% lower compared to Q2/15. This more than USD 1/bbl decrease was achieved by savings in costs for services, personnel and material. The negative impact of lower production volumes was more than offset by these improvements.

Downstream – Lower contribution to Group results



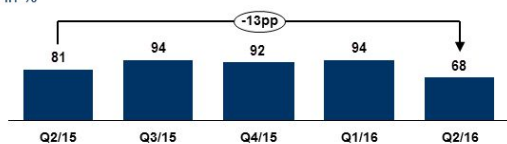
Moving to Downstream, page 16 shows the Downstream Clean CCS EBIT decreasing from RON 220 mn in Q2/15 to RON 135 mn in Q2/16. This reflects mainly the lower contribution from Downstream Oil, which was only partly compensated by a better performance in Downstream Gas.

The main factors influencing the Clean CCS EBIT in Downstream Oil were: first, an approximately 24% lower refining margin, which was based on lower product spreads and only partly offset by lower cost for own crude consumption; second, profitability was adversely impacted by the planned turnaround of the Petrobrazil refinery; third, both negative effects could not be compensated by higher retail sales volumes.

In Downstream Gas, the Clean CCS EBIT improved in Q2/16, as the Q2/15 result was impacted by provisions for outstanding receivables amounting to RON (43) mn. In addition, Q2/16 segment sales were up due to a higher utilization of our Brazil power plant, supporting the good performance along our integrated gas value chain.

Downstream Oil – Key performance indicators

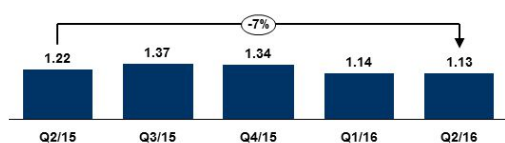
Refinery utilization rate
in %



Q2/16 vs. Q2/15

- ▶ Refinery utilization rate down to 68% due to the planned turnaround
- ▶ Fuel and losses at 9.5%
- ▶ Total refined product sales dropped by 7%
- ▶ Group retail sales volumes up 2%

Group refined product sales volumes
in mn t



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Page 17 shows in the upper chart the **refinery utilization rate** over the last 5 quarters. In Q2/16, it stood at 68%, 13 percentage points lower compared to the same quarter of last year. This is mainly due to the approximately 1-month planned turnaround which took place from end of May to mid of June this year. Despite this, we continued maintaining fuel and losses below 10%, more precisely at 9.5% in Q2/16.

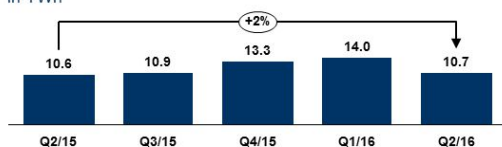
Although total refined product sales decreased by 7% due to the turnaround activities, OMV Petrom Group retail sales volumes in our market region increased by 2%.



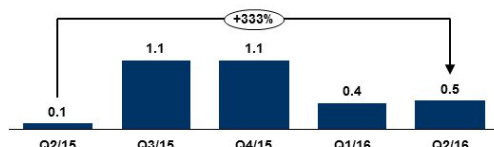
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Downstream Gas – Key performance indicators

Gas sales¹
in TWh



Net electrical output
in TWh



Q2/16 vs. Q2/15

- Higher gas sales volumes, supported by integration with the Brazi power plant, despite the 16% drop in national demand²
- Significantly higher power output, benefitting from improved portfolio optimization and favorable spark spreads

¹ Including internal transfers within OMV Petrom (e.g. Brazi power plant); ² Company estimation



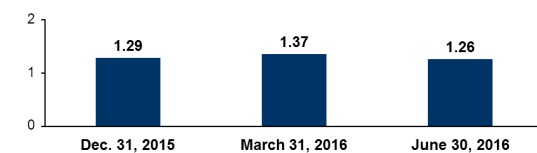
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To illustrate the operational performance of Downstream Gas, page 18 shows the gas sales and net electrical output evolution. We managed to increase gas sales and net electrical output amid the weak environment, vs. Q2/15 due to our integrated business model. **Total gas sales volumes** increased by 2% vs. Q2/15, supported by the higher offtake of the Brazi power plant and despite the national gas demand dropping by around 16% as per our estimates. The higher offtake of Brazi resulted in a significantly higher **output of the power plant**, capitalizing on the improved portfolio optimization, both on forward and spot markets. Improved spark spreads also supported this achievement.

Strong balance sheet despite difficult market conditions

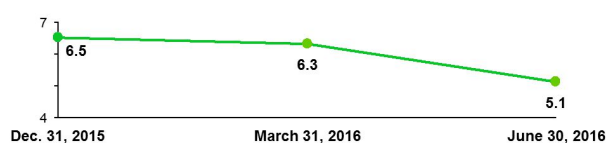
Net debt development
in RON bn



Gearing ratio, %



Clean CCS ROACE, %



Main developments

- ▶ Gearing ratio stable at approx. 5%
- ▶ Equity ratio
 - ▶ end-2015: 62%
 - ▶ end-June 2016: 64%
- ▶ ROACE evolution reflects the challenging environment



19 | OMV Petrom results Q2/16

OMV Petrom

Net debt in Q2/16 amounted to RON 1.26 bn, fairly stable vs. the level in December 2015. This translated into a stable and single digit gearing ratio of around 5%. Preserving a low gearing ratio continues to be a priority as we aim to keep our financial flexibility for future potential investments in the Black Sea.

Our equity ratio marginally improved by 2 percentage points to 64% at the end of June 2016.

In Q2/16, Clean CCS ROACE declined to 5.1% vs. 6.3% in Q1/16, reflecting the challenging environment as discussed earlier.

Outlook 2016

- ▶ **Oil price:** Brent annual average estimated at USD 40/bbl
- ▶ **Refining margins:** H2/16 level expected to be below H1/16
- ▶ **Fuels market:** Demand supported by low oil prices and increased private consumption; higher competition
- ▶ **Gas market:** Demand expected to decline; prices to reflect strong competition, including competitive imports
- ▶ **Power market:** Demand relatively stable, increasing spark spreads
- ▶ **CAPEX:** EUR 0.7 bn, with ~85% in Upstream
- ▶ **Production:** Decline expected to remain within the 4% guidance, driven by lower investments and planned surface facilities upgrade at Totea Deep



20 | OMV Petrom results Q2/16

OMV Petrom

Moving to my last slide, I want to close my presentation with an overview of the outlook for the full year 2016. With regards to the oil price, we estimate the Brent annual average to be around 40 USD/bbl, and the Brent-Urals spread to be wider than in recent years.

Refining margins in the second half of 2016 are projected to be below the levels in the first part of the year.

As for the Romanian market, we expect demand for fuels to be supported by low oil prices and increased private consumption, although competition is likely to get stronger.

Gas demand is not expected to recover from the decline vs the previous year, while prices will reflect stronger competition, also from imports. On the other hand, we assume electricity consumption to remain pretty stable, with spark spreads to somewhat increase as a consequence of declining gas prices.

CAPEX (including capitalized exploration and appraisal) is expected to be approx. EUR 0.7 bn for 2016, with approximately 85% dedicated to Upstream. The main investment categories continue to be drilling and workover activities as well as field redevelopment projects.

Lower CAPEX, together with a planned upgrade of some surface facilities at Totea Deep, will result in lower production. As previously indicated, our annual 2016 production volume could decline by up to 4% yoy.

With this, I would like to hand over to Peter to provide a more detailed overview of Upstream results. I am looking forward to hopefully meet some of you in our upcoming roadshow.



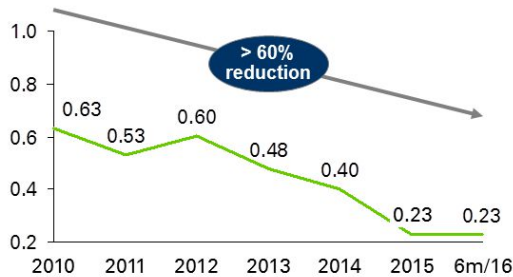
OMV Petrom

Thank you, Andreas, and good afternoon to everybody from my side. This is the first time I address you in my new role as Executive Board Member responsible for Upstream, after being responsible for OMV's activities in New Zealand and Australia. It is great to be back and to be part of a high performing team, but since my departure in 2011 the conditions we operate in have changed. We will, therefore, concentrate on value delivery and continue to improve our efficiency.

I will start by providing a brief overview on our safety results, followed by an update on operational performance. Afterwards, I will guide you through our Upstream financial results in terms of operational costs and investments.

Upstream High safety and efficiency focus

Upstream Romania LTIR



► Operations safety - our top priority

► LTIR improvement sustainable

- 6m/16: kept at the lowest level since privatization
- Lower than IOGP¹ international benchmark

► Reduction of GHG² intensity continues:

~3% less in 6m/16 compared to 6m/15

- 28 G2P/CHP³ units utilizing produced natural gas, securing ~50% Upstream onshore electricity demand in 6m/16

¹ International Association of Oil & Gas Producers ² GHG – Green House Gas; ³ G2P – Gas to Power, CHP – Combined Heat and Power



22 OMV Petrom results Q2/16

OMV Petrom

As before highlighted by Mariana, safety remains our top priority, irrespective of the market environment. As you can see, we managed to achieve a 60% reduction over the last years in the lost time injury rate per million man hours or LTIR. We started this safety journey immediately after OMV Petrom's privatization; in 2004, the LTIR figure for OMV Petrom was still at a level of 1.11.

In terms of LTIR, we are now below international benchmark level. However, as we are still recording incidents, we will intensify our efforts to further drive risk awareness and safety culture.

I am pleased to point out here the excellent safety performance of our Kazakhstan activities where we've recorded zero LTIR in the first 6 months of 2016.

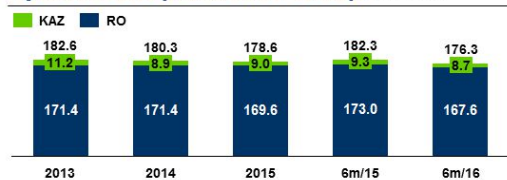
We have also continued our efforts to reduce greenhouse gas intensity, through the implementation of 28 gas to power and combined heat and power units. We are now covering approximately 50% of our onshore electricity needs through our own generation. This is reducing our production costs, but also, contributed to the reduction of greenhouse gas emissions by 3% in H1/16 compared to first half of 2015.



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Upstream Key performance indicators

Hydrocarbon production Group, kboe/d

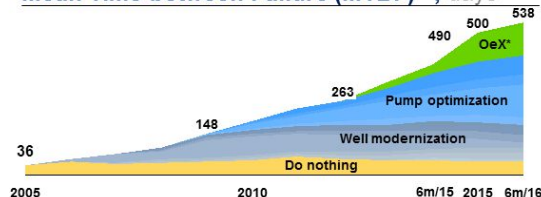


6m/16 vs. 6m/15

Group

- ▶ **Total hydrocarbon production** lower by 3% reflecting our efforts to manage decline in current low oil price environment
- ▶ Gas/Oil split stable at around 55/45

Mean Time between Failure (MTBF)**, days



Romania

- ▶ ~36% more production from FRDs (including Totea Deep) reaching 31 kboe/d in June
- ▶ **Operational excellence:** MTBF improved by 9% to around 540 days and the number of well interventions decreased by ~26%
- ▶ More efficient **workover** activity: overall contribution to daily production of 6 kboe/d

*Operational Excellence integrated approach **Romania



23 | OMV Petrom results Q2/16

OMV Petrom

On the next slide, I would like to present the production contribution from Romania and Kazakhstan. In the past, the production target was driven by the high level in oil prices. In today's price and investment environment, we changed the modus from preserving a stabilized level to managing decline. Still, we were able to keep the decline at around 3% in H1/16 despite the lower level of investments.

Constant production increase from our Field Redevelopment Projects reflects project delivery. In H1/16, production delivered by FRDs (including Totea Deep) increased to 31 kboe/d, or 36% as compared to H1/15. The Lebada Est Non-Associated Gas project has already been mentioned by Andreas as excellent project execution, adding production this year.

Efficiency in our operations is a key contributor to value optimization in a low oil price environment. Managing decline and costs by improving pump run life and non-productive well time is expressed in increased mean time between failures (MTBF) and a reduced number of interventions. If we compare this with last year's performance of the first 6 months, we see a significant reduction of well interventions through the implementation of operational excellence initiatives. The average MTBF stands now at 538 days and has further increased from the H1 2015 level. These improvements are based on changes in electronic well surveillance, material selection and the application of condition-based maintenance, to name a few.

Another value and production driver is our ability to generate a constant flow of well workover opportunities at lower costs.

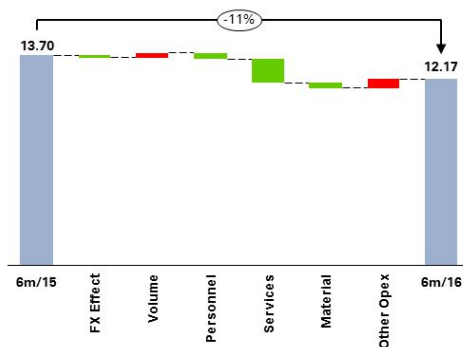
Although we have performed approximately the same number of workovers, their efficiency increased and resulted in an overall contribution to production of 6 kboe/d in H1 this year.



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Upstream Production costs

Production costs, USD/boe



Production cost reduced by 11% in 6m/16 yoy

- ▶ Lower services and materials costs, due to contract renegotiations and strict cost management
- ▶ Lower personnel expenses, due to rightsizing
- ▶ Favorable FX effects, more than compensating:
- ▶ Lower volumes available for sale and
- ▶ Higher effect of infrastructure tax in Romania



24 | OMV Petrom results Q2/16

OMV Petrom

Moving to the next slide, which reflects production cost development from H1/15 to H1/16. Andreas had already mentioned the good performance in Q2/16. In the first 6 months of 2016, we managed to lower our production cost by 11% to 12.17 USD/boe. The drivers of this positive trend came from lower expenses for services and costs for materials (due to renegotiation of contracts), lower personnel costs (due to rightsizing), but also from the favorable FX rate.

This significant operational cost reduction was also helped by constant optimization of our well portfolio.

Going forward, we will strive to further reduce complexity in our operational footprint and implement additional efficiency programs so that we can further reduce production costs in absolute terms.



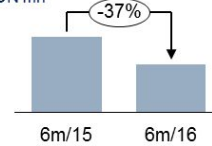
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Upstream Group CAPEX was adjusted to the low oil price environment

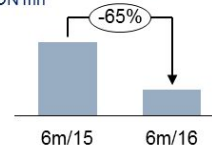
6m/16 vs. 6m/15

- ▶ CAPEX (excl. E&A) reduced by 37%:
 - ▶ Reduced number of Integrated FRD oil (incl. wells) projects
 - ▶ Reduced water injection, workovers activities and other small projects in Kazakhstan
- ▶ E&A lower due to completion of Neptun Deep exploration drilling campaign

Upstream CAPEX (excl. E&A)
in RON mn



Upstream E&A Capitalized
in RON mn



Finally, let's come to investments in Upstream. Our priority moved from volume to value and the effect can be clearly seen. This led to a significant reduction in CAPEX (excluding Exploration and Appraisal expenditures) mainly due to optimizing and reducing the number of Field Redevelopment Projects in Romania and rigorous project prioritization in Kazakhstan.

In the current oil price context, less well candidates are matured into the drilling schedule. This year 14 wells were drilled so far, targeting around 40 new wells for the entire year.

Referring to Exploration & Appraisal activities, the graph indicates a significant reduction of around 65% of our investments.

Although exploration activity has slowed down, we concentrate our efforts this year on portfolio revision/consolidation, on adding new prospects and drilling new exploration wells.

That concludes our presentation of the second quarter results. We are now available for any questions that you may wish to ask.

Q&A



OMV Petrom

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2016 Financial Calendar

Nov 9: Q3/16 results

Thank you very much for taking part in our conference call. For further information, please do not hesitate to contact the IR team. I take this opportunity to remind you that the results for the third quarter will be released on November 9. Until then, I wish you all the best. Good bye!