Investor News

August 10, 2016, 8:30 am (local time), 7:30 am (CEST), 6:30 am (BST)

OMV Petrom S.A.

OMV Petrom Group: results[1] for Q2 and January – June 2016

including interim condensed consolidated financial statement as of and for the period ended June 30, 2016

Q2/16 vs. Q2/15

- **Positive free cash flow, supported by continued cost management in a challenging environment;**
- **Group Clean CCS EBIT at RON 229 mn, down 65% vs. Q2/15, impacted by lower oil and gas prices, weaker refining margins and the planned refinery turnaround;**
- **Upstream: group hydrocarbon production at 177 kboe/d, lower by 2%; production costs in USD/boe down 8%;**
- **Downstream Oil: higher retail sales volumes sustained by market demand;**
- **Downstream Gas: gas sales volumes rose by 2%, supported by higher offtake by the Brazi power plant.**

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

"In the first half of 2016, the difficult market environment adversely impacted our financial results, outweighing the effects from improved operational performance as well as strict cost discipline and cash management. The Upstream clean EBIT mostly reflected the drop in oil and gas prices, partly mitigated by the reduction in production costs. The Downstream clean CCS EBIT slightly improved, as a result of the favorable development of provisions for outstanding receivables in the gas business, which offset the effects of weaker refining margins and the planned refinery turnaround.

As the difficult market conditions persisted, we have continued our tight cost and capital expenditure management. Our CAPEX decreased by 35% vs. 6m/15, reflecting the completion of Neptun drilling and also the strict selection of investment projects. Moreover, the efficient cost and cash management helped us maintain a strong balance sheet and a single-digit gearing ratio.

Consultations regarding upstream oil and gas taxation are expected to continue in the second half of the year. As previously stated, a stable, predictable and investment-friendly fiscal and regulatory framework is a key requirement for our future investments, both onshore and offshore."

Q1/16	Q2/16	Q2/15	Δ%	Key performance indicators (in RON mn)	6m/16	6m/15	Δ%
343	218	786	(72)	EBIT	561	1,280	(56)
408	229	657	(65)	Clean CCS EBIT [2]	638	1,251	(49)
291	118	693	(83)	Net income attributable to stockholders [3]	408	1,041	(61)
330	127	481	(74)	Clean CCS net income attributable to stockholders [2,3]	458	914	(50)
0.0051	0.0021	0.0122	(83)	EPS (RON)	0.0072	0.0184	(61)
0.0058	0.0022	0.0085	(74)	Clean CCS EPS (RON) [2]	0.0081	0.0161	(50)
888	883	1,660	(47)	Cash flow from operating activities	1,771	2,450	(28)
(118)	130	(460)	n.m.	Free cash flow after dividends	12	(1,052)	n.m.

[1] 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

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

[3] After deducting net result attributable to non-controlling interests

OMV Petrom

Content

Directors' report (condensed, unaudited)

Financial highlights

Q1/16	Q2/16	Q2/15	Δ%	in RON mn	6m/16	6m/15	Δ%
3,559	3,633	4,540	(20)	Sales [1]	7,192	8,811	(18)
(80)	151	531	(72)	EBIT Upstream [2]	71	695	(90)
360	275	422	(35)	EBIT Downstream	634	766	(17)
(17)	(8)	(10)	26	EBIT Co&O	(25)	(36)	32
80	(200)	(156)	(28)	Consolidation	(120)	(145)	17
343	**218**	**786**	**(72)**	**EBIT Group**	**561**	**1,280**	**(56)**
111	**(55)**	**82**	**n.m.**	**Special items [3]**	**56**	**74**	**(25)**
(7)	(8)	(15)	45	thereof: Personnel and restructuring	(16)	(23)	32
-	(63)	(5)	n.m.	Unscheduled depreciation	(63)	(8)	n.m.
118	16	102	(84)	Other	135	105	28
(177)	44	47	(6)	CCS effects: Inventory holding gains/(losses)	(133)	(44)	(199)
(73)	210	551	(62)	Clean EBIT Upstream [2, 4]	137	726	(81)
302	135	220	(39)	Clean CCS EBIT Downstream [4]	437	397	10
(17)	(8)	(10)	26	Clean EBIT Co&O [4]	(25)	(36)	32
196	(108)	(104)	(3)	Consolidation	88	164	(46)
408	**229**	**657**	**(65)**	**Clean CCS EBIT [4]**	**638**	**1,251**	**(49)**
0	(86)	43	n.m.	Net financial result	(86)	21	n.m.
343	132	829	(84)	Profit before tax	475	1,301	(64)
288	117	691	(83)	Net income	405	1,036	(61)
291	118	693	(83)	Net income attributable to stockholders [5]	408	1,041	(61)
330	**127**	**481**	**(74)**	**Clean CCS net income attributable to stockholders [4, 5]**	**458**	**914**	**(50)**
0.0051	0.0021	0.0122	(83)	EPS (RON)	0.0072	0.0184	(61)
0.0058	0.0022	0.0085	(74)	Clean CCS EPS (RON) [4]	0.0081	0.0161	(50)
888	883	1,660	(47)	Cash flow from operating activities	1,771	2,450	(28)
0.0157	0.0156	0.0293	(47)	CFPS (RON)	0.0313	0.0433	(28)
1,366	1,261	1,990	(37)	Net debt	1,261	1,990	(37)
5	5	7	(33)	Gearing (%) [6]	5	7	(33)
769	568	1,007	(44)	Capital expenditure	1,337	2,069	(35)
(2.1)	-	-	n.m.	ROFA (%)	(3.8)	7.5	n.m.
(2.3)	-	-	n.m.	ROACE (%)	(4.4)	6.1	n.m.
6.3	-	-	n.m.	Clean CCS ROACE (%) [4]	5.1	9.7	(47)
(2.7)	-	-	n.m.	ROE (%)	(5.0)	6.5	n.m.
16	12	17	(31)	Group effective tax rate (%)	15	20	(28)
15,677	15,237	16,450	(7)	OMV Petrom Group employees at the end of the period	15,237	16,450	(7)

Figures in this and the following tables may not add up due to rounding differences.
[1] *Sales excluding petroleum excise tax;*
[2] *Excluding intersegmental profit elimination shown in the line "Consolidation";*
[3] *Special items, representing exceptional, non-recurring items, are added back or deducted from EBIT; for more details please refer to each specific segment;*
[4] *Adjusted for special items; Clean CCS (current cost of supply) figures exclude special items and inventory holding effects (CCS effects) resulting from Downstream Oil;*
[5] *After deducting net result attributable to non-controlling interests;*
[6] *Net debt divided by equity;*

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

Group performance

Second quarter 2016 (Q2/16) vs. second quarter 2015 (Q2/15)

Consolidated sales in Q2/16 amounted to RON 3,633 mn and were 20% below Q2/15, mainly due to lower petroleum products sales, following the further decline in oil prices and lower quantities sold (as a consequence of the Petrobrazi refinery planned turnaround), and due to lower sales of natural gas. These negative effects were partially offset by higher sales of electricity. Downstream Oil represented 75% of total consolidated sales, while Downstream Gas accounted for 22% and Upstream for 3% (sales in Upstream being largely intra-group sales rather than third-party sales).

Clean CCS EBIT of RON 229 mn was below the value recorded in Q2/15 of RON 657 mn, reflecting mainly the unfavorable oil price environment. Clean CCS EBIT for Q2/16 is stated after eliminating net special charges of RON (55) mn and inventory holding gains of RON 44 mn, while Q2/15 is stated after eliminating net special income of RON 82 mn (mainly from a legal dispute) and inventory holding gains of RON 47 mn.

The Group's EBIT for Q2/16 amounted to RON 218 mn, well below the result recorded in Q2/15 of RON 786 mn, driven by lower sales revenues and lower operating income, as Q2/15 was positively influenced by the outcome from a legal dispute. These effects were only partially offset by the decrease in exploration expenses, mostly due to lower expenses in the Neptun block, and by the favorable development of provisions for outstanding receivables in the gas business.

The net financial result in Q2/16 was showing a loss of RON (86) mn, compared to a gain of RON 43 mn in Q2/15, as Q2/15 was positively influenced by a special income from a legal dispute.

Consequently, the **profit before tax** for Q2/16 of RON 132 mn was significantly lower than the RON 829 mn recorded in Q2/15.

Corporate income tax level of RON 15 mn led to an effective tax rate of 12% in Q2/16.

The net income attributable to stockholders (i.e. net income attributable to stockholders of the parent) was RON 118 mn, while **clean CCS net income attributable to stockholders** was RON 127 mn. **EPS** was RON 0.0021 in Q2/16 vs. RON 0.0122 in Q2/15, while **Clean CCS EPS** was RON 0.0022 compared to RON 0.0085 in Q2/15.

Cash flow from operating activities amounted to RON 883 mn and was below the level in Q2/15 (RON 1,660 mn), reflecting mainly the lower pricing environment and the fact that Q2/15 was positively influenced by the settlement of a legal dispute. **Free cash flow after dividends** resulted in a cash inflow of RON 130 mn (Q2/15: outflow of RON 460 mn).

Second quarter 2016 (Q2/16) vs. first quarter 2016 (Q1/16)

Compared to Q1/16, **sales** slightly increased by 2%, with higher revenues from the sale of petroleum products following the improvement of international quotations compensating the decrease of revenues from the sale of natural gas due to seasonality.

Clean CCS EBIT decreased from RON 408 mn to RON 229 mn, reflecting inventory holding gains of RON 44 mn (Q1/16: inventory holding losses of RON (177) mn). **The Group's EBIT** decreased to RON 218 mn (Q1/16: RON 343 mn), reflecting higher exploration costs and lower other operating income, as the result from Q1/16 was positively influenced by the final court decisions to reduce fines imposed by the Romanian Competition Council in 2011.

The net financial result was a loss at the amount of RON (86) mn, while in Q1/16 it was close to zero.
The net income attributable to stockholders (i.e. net income attributable to stockholders of the parent) in Q2/16 was RON 118 mn, compared to RON 291 mn in Q1/16, while **clean CCS net income attributable to stockholders** decreased to RON 127 mn from RON 330 mn in Q1/16.
Cash flow from operating activities amounted to RON 883 mn and was in line with Q1/16 level (RON 888 mn). **Free cash flow after dividends** resulted in a cash inflow of RON 130 mn (Q1/16: outflow of RON 118 mn).

January to June 2016 (6m/16) vs. January to June 2015 (6m/15)

Consolidated sales of RON 7,192 mn for 6m/16 decreased by 18% compared to 6m/15, mainly as a result of the deteriorating crude oil price environment, in addition to lower natural gas sales, partially offset by higher quantity of power sold. Downstream Oil represented 70% of total consolidated sales, Downstream

Gas accounted for 27% and Upstream for 3% (sales in Upstream being largely intra-group sales rather than third party sales).

Clean CCS EBIT decreased to RON 638 mn in 6m/16 (6m/15: RON 1,251 mn), mainly reflecting the unfavorable oil price environment. The **clean CCS EBIT** is stated after eliminating net special income of RON 56 mn (6m/15: RON 74 mn) and inventory holding losses of RON (133) mn (6m/15: RON (44) mn).

The Group's EBIT amounted to RON 561 mn (6m/15: RON 1,280 mn), significantly impacted by the decline of international quotations, partially offset by lower exploration costs and by the favorable development of provisions for outstanding receivables in the gas business.

The net financial result decreased to RON (86) mn, compared with a gain of RON 21 mn in 6m/15, the latter being influenced by the late payment interest income from a litigation settlement. The evolution of RON vs USD in 6m/16 vs 6m/15 also had a negative impact on the financial result.

The current income tax charge in 6m/16 was RON 65 mn and deferred tax expenses amounted to RON 5 mn; **the effective tax rate** for 6m/16 was 15% (20% in 6m/15). The effective tax rate from 6m/15 was influenced by the activities in Kazakhstan and the finalization of the fiscal review in Romania.

Net income attributable to stockholders (i.e. net income attributable to stockholders of the parent) was RON 408 mn (6m/15: RON 1,041 mn), with **EPS** RON 0.0072 in 6m/16 (6m/15: RON 0.0184). **Clean CCS net income attributable to stockholders** was RON 458 mn (6m/15: RON 914 mn) with clean **CCS EPS** RON 0.0081 in 6m/16 (6m/15: RON 0.0161).

Cash flow from operating activities amounted to RON 1,771 mn and was lower compared to 6m/15 (RON 2,450 mn), mainly reflecting the challenging market environment, combined with weaker refining margins. **Free cash flow after dividends** resulted in a cash inflow of RON 12 mn (6m/15: outflow of RON 1,052 mn).

Statement of financial position and capital expenditure

Summarized statement of financial position (in RON mn)	June 30, 2016	%	December 31, 2015	%
Assets				
Non-current assets	**35,698**	**88**	**36,020**	**88**
Intangible assets and property, plant and equipment	31,339	77	31,708	77
Investments in associated companies	42	0	41	0
Other non-current assets	2,767	7	2,708	7
Deferred tax assets	1,550	4	1,563	4
Current assets[1]	**4,904**	**12**	**5,098**	**12**
Inventories	1,952	5	1,965	5
Trade receivables	1,288	3	1,318	3
Assets held for sale	117	0	119	0
Other current assets	1,547	4	1,696	4
Total assets	**40,601**	**100**	**41,118**	**100**
Equity and liabilities				
Total equity	**26,085**	**64**	**25,688**	**62**
Non-current liabilities	**10,115**	**25**	**10,382**	**25**
Pensions and similar obligations	237	1	239	1
Interest-bearing debts	1,264	3	1,424	3
Decommissioning and restoration obligations	7,877	19	7,941	19
Provisions and other liabilities	734	2	765	2
Deferred tax liabilities	2	0	13	0
Current liabilities[2]	**4,402**	**11**	**5,049**	**12**
Trade payables	1,980	5	2,318	6
Interest-bearing debts	444	1	379	1
Liabilities associated with assets held for sale	9	0	10	0
Provisions and other liabilities	1,969	5	2,342	6
Total equity and liabilities	**40,601**	**100**	**41,118**	**100**

[1] *include assets held for sale*
[2] *include liabilities associated with assets held for sale*

Capital expenditure decreased to RON 1,337 mn (6m/15: RON 2,069 mn), mainly due to substantially lower CAPEX in Upstream.
Upstream investments in 6m/16 were RON 1,064 mn, compared to RON 1,947 mn in 6m/15. Downstream investments amounted to RON 271 mn (6m/15: RON 121 mn), thereof RON 263 mn in Downstream Oil (6m/15: RON 118 mn) and RON 7 mn in Downstream Gas (6m/15: RON 3 mn). Corporate & Other CAPEX was RON 3 mn (6m/15: RON 1 mn).

Compared to December 31, 2015, **total assets** decreased by RON 517 mn, to RON 40,601 mn, mainly driven by a net reduction in non-current assets and by a slight reduction in cash and cash equivalents. The increase in intangible assets by RON 93 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 463 mn in property, plant and equipment, as depreciation and impairments exceeded investments during the period.

Equity marginally increased to RON 26,085 mn as of June 30, 2016 compared to RON 25,688 mn as of December 31, 2015, as a result of the net profit generated in the current period. The Group's equity ratio increased to 64% as of end-June 2016, slightly higher than the level as of end-December 2015 (62%).

Total interest bearing debt decreased from RON 1,802 mn as of December 31, 2015 to RON 1,708 mn as of June 30, 2016, following partial reimbursements and the appreciation of RON vs. USD in the first six months of 2016.

The Group's liabilities other than interest bearing debt decreased by RON 819 mn, predominantly as a consequence of lower trade payables and other financial liabilities, broadly reflecting the reduction in capital expenditure and the completion of the exploration drilling campaign in the Black Sea.

OMV Petrom Group's **net debt** remained at a similar level to December 31, 2015 of around RON 1.3 bn. The **gearing ratio** slightly decreased to 4.83% (December 31, 2015: 5.01%).

Cash flow

Summarized cash-flow statement (in RON mn)	6m/16	6m/15	∆%
Sources of funds	**1,945**	**2,510**	(22)
Cash flow from operating activities	1,771	2,450	(28)
Cash flow from investing activities	(1,759)	(2,874)	39
Free cash flow	**12**	**(423)**	n.m.
Cash flow from financing activities	(101)	(479)	79
Effect of exchange rates on cash and cash equivalents	1	6	(91)
Net decrease in cash and cash equivalents	**(88)**	**(896)**	90
Cash and cash equivalents at beginning of the period	813	1,268	(36)
Cash and cash equivalents at end of the period	**724**	**372**	95
Free cash flow after dividends	**12**	**(1,052)**	**n.m.**

In 6m/16, the inflow of funds from profit before tax, adjusted for non-cash items such as depreciation and impairments, net change of provisions and other non-cash adjustments, as well as net interest and income tax paid was RON 1,945 mn (6m/15: RON 2,510 mn), while **net working capital** generated a cash outflow of RON 174 mn (6m/15: RON 59 mn). **Cash flow from operating activities** decreased by RON 679 mn compared to 6m/15, reaching RON 1,771 mn.

In 6m/16, the **cash flow from investing activities** resulted in an outflow of RON 1,759 mn (6m/15: RON 2,874 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 12 mn (6m/15: outflow of RON 423 mn). **Free cash flow less dividend payments** resulted in a cash inflow of RON 12 mn (6m/15: outflow of RON 1,052 mn).

Cash flow from financing activities reflected a net outflow of funds amounting to RON 101 mn (6m/15: RON 479 mn), mainly arising from the repayment of the tranches from the loans from the European Investment Bank and the European Bank for Reconstruction and Development.

Risk management

The scope of OMV Petrom's business activity, both existing and planned, and the markets in which the company operates inherently expose it to significant commodity price, foreign exchange, operational and other risks. A detailed description of risks and risk management activities can be found in the 2015 Annual Report (pages 47-50).

For 2016, the main uncertainties which can influence the company's performance remain the commodity price risk, operational risks as well as political and regulatory risk. The commodity price risk is being monitored constantly for developments and, when appropriate, protective measures are undertaken (e.g. entering into hedging agreements).

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

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

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

Outlook 2016

Market, regulatory and fiscal environment

For the year 2016, based on market fundamentals, we expect the average **Brent oil price** to be around USD 40/bbl. The Brent-Urals spread is anticipated to be wider than in recent years.

We estimate **gas** demand in Romania to decline vs. 2015. The gas price for the regulated market has been frozen at RON 60/MWh until end-March 2017, while the free market is faced with stronger competition and margin pressure, also due to increased competitiveness of import gas.

In the **power** market, we anticipate demand for 2016 to be relatively stable, with increasing spark spreads as a result of the gas price environment.

Due to persisting overcapacity in European markets, **refining** margins in the second half of 2016 are projected to be below the levels of the first half of 2016. Low **oil product** prices, together with increased private consumption in Romania, are estimated to continue to support demand for oil products, though with increased competition.

Consultations regarding upstream oil and gas taxation are expected to continue in the second half of the year. As previously stated, 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

- CAPEX (including capitalized exploration and appraisal) for 2016 is expected to be around EUR 0.7 bn, about 20% down yoy, with approx. 85% dedicated to Upstream, which includes, among others drilling, workover activities and field redevelopment projects; exploration expenditures are estimated to decrease by approx. 60% vs. the high level of 2015, mainly due to the completion of drilling activities in the Neptun Block;
- In order to achieve free cash flow before dividends neutrality in a low oil price environment, we will continue with strict cost discipline and portfolio optimization programs across all business segments.

Upstream

- The Group's full year average production decline is estimated to remain within the 4% guidance compared with 2015, due to the natural decline not fully offset given the low level of investments and the planned surface facilities upgrade at Totea Deep in H2/16;
- Operational activities will concentrate on safe and efficient production and implementation of integrity and investment programs; in addition, we plan to deliver around 1,000 workovers and around 40 new wells;
- Operational excellence initiatives will continue to focus on cost reductions and efficiency (e.g. reduced mean time between failures, costs per workover and rates for new wells drilled);
- Portfolio of producing assets will be reviewed to optimize well stock which could lead to further shut-ins of uneconomical wells and/or sale of marginal fields;
- Partnerships: bring new production from exploration successes on stream, start experimental production from exploration well Padina Nord 1 (Hunt Oil operator, OMV Petrom 50%) in Q4/16; construction of early production facility for treatment and delivery of gas and condensate from exploration well Padina Nord 1 in progress;
- Neptun Deep block (50% OMV Petrom; 50% ExxonMobil): in January 2016, the second exploration drilling campaign was completed. More detailed work is ongoing to determine if commercial development is viable. The final investment decision could be expected in around two years and first production would be achieved early next decade;
- In Kazakhstan, workover and well intervention activities to combat natural decline in TOC and Komsomolskoe fields will continue.

Downstream

- The refinery utilization rate, adjusted for the turnaround, is expected to remain around 90% due to the strong performance in all sales channels, which will support the profitability and cash contribution from the Downstream Oil business; moreover, the focus on improving operational performance and delivering on economic energy efficiency upgrades will continue;

- The declining gas demand and the increased competiveness of import gas will challenge our operational performance in the gas business; nevertheless, we strive to maintain our position in the gas market through improved portfolio optimization and stronger customer orientation;
- The Brazi power plant will continue to play an important role within our integrated gas value chain, a significant part of its production capacity being sold forward for 2016; additionally, we always aim to capture available market opportunities by capitalizing on its operational flexibility;
- Dorobantu wind park: envisaged divestment, in line with company's strategy to focus on core business.

Business segments
Upstream

Q1/16	Q2/16	Q2/15	Δ%	in RON mn	6m/16	6m/15	Δ%
(80)	151	531	(72)	EBIT [1]	71	695	(90)
(7)	(58)	(20)	(189)	Special items	(66)	(31)	(111)
(73)	210	551	(62)	Clean EBIT [1]	137	726	(81)
576	871	1,329	(34)	Clean EBITD	1,447	2,190	(34)
710	354	929	(62)	CAPEX	1,064	1,947	(45)

Q1/16	Q2/16	Q2/15	Δ%	Key performance indicators	6m/16	6m/15	Δ%
15.94	16.14	16.48	(2)	Total hydrocarbon production (mn boe)	32.08	33.00	(3)
175	177	181	(2)	Total hydrocarbon production (kboe/d)[2]	176	182	(3)
7.37	7.36	7.74	(5)	Crude oil and NGL production (mn bbl)	14.73	15.41	(4)
1.31	1.34	1.34	0	Natural gas production (bcm)	2.66	2.69	(1)
46.36	47.43	47.23	0	Natural gas production (bcf)	93.79	95.08	(1)
32.29	43.91	61.42	(29)	Average Urals price (USD/bbl)	38.14	57.09	(33)
26.69	36.86	53.50	(31)	Average Group realized crude price (USD/bbl)	31.77	49.51	(36)
275	(34)	401	n.m.	Exploration expenditures (RON mn)	242	767	(68)
57	87	133	(35)	Exploration expenses (RON mn)	144	200	(28)
12.25	12.09	13.16	(8)	OPEX (USD/boe)	12.17	13.70	(11)

[1] Excluding intersegmental profit elimination; [2] Production figures in kboe/d are rounded

Second quarter 2016 (Q2/16) vs. second quarter 2015 (Q2/15)

- **Clean EBIT was impacted by lower oil and gas prices**
- **Lower group production due to reduced investments, increased number of uneconomic wells and planned maintenance at key wells**
- **OPEX in USD/boe down 8% driven by cost reduction measures**

In Q2/16, **Urals crude price** averaged at USD 43.91/bbl, 29% lower compared to Q2/15. The average **realized crude price** decreased by 31% to USD 36.86/bbl.

Group daily hydrocarbon **production** was 177.3 kboe/d (Romania: 168.7 kboe/d) and total production stood at 16.14 mn boe (Romania: 15.36 mn boe), down by approximately 2% yoy, due to lower production in both Romania and Kazakhstan. Crude oil and NGL production in Romania was 6.65 mn bbl, 4% lower than in Q2/15. This mainly reflected the natural decline, which could not be fully offset due to reduced level of investments, the increased number of wells which became uneconomic due to the unfavorable oil price environment, the planned maintenance at key wells and the bad weather impact. Gas production in Romania slightly increased to 8.70 mn boe (Q2/15: 8.67 mn boe) as the natural decline of main fields (Bulbuceni, Bustuchin, Lebada East) has been compensated by additional contribution from new wells put on stream, workovers performed during the year and by Lebada Est NAG project, commissioned in Q2/16. In Kazakhstan, production amounted to 0.78 mn boe, 9% lower compared to the same period of 2015, mainly due to natural decline.

Group hydrocarbon **sales volumes** decreased by 4% compared to Q2/15, as lower oil sales volumes from Romania and lower hydrocarbon sales from Kazakhstan more than offset higher gas sales in Romania.

In Q2/16, we finalized drilling of 4 new wells and sidetracks, compared to 20 new wells and sidetracks in the same period last year.

Group **production costs** (OPEX) in USD/boe were 8% lower than in Q2/15, mainly due to lower services, personnel and materials costs, which more than offset lower production available for sale and unfavorable FX rates. In Romania, production costs in USD/boe decreased by 5% to USD 12.02/boe, while in RON terms, they stood at RON 47.86/boe, 6% below the Q2/15 level.

Clean EBIT declined to RON 210 mn, mainly driven by significantly lower oil, gas and NGL prices, as well as decreased sales volumes and unfavorable FX effects (USD 1% weaker against RON), partly compensated by lower exploration expenses, lower production costs, lower royalties and lower depreciation (due to a diminished asset base, following the impairments booked in H2/15). Similarly, the Q2/16 **reported EBIT** was influenced mainly by international crude oil prices development and additionally by write-offs of exploration assets and personnel restructuring charges. Reported EBIT decreased to RON 151 mn in Q2/16 (Q2/15: RON 531 mn).

Exploration expenses decreased to RON 87 mn in Q2/16, compared to RON 133 mn in Q2/15 and were mostly related to lower expenses in the Neptun block, partly offset by write-offs of exploration assets.

Investments in Upstream activities of RON 354 mn accounted for 62% of total CAPEX in Q2/16, 62% below Q2/15 level, this low level of investments being influenced by the Neptun Deep project (drilling campaign finalized in January 2016) and lower investments in field redevelopment projects.

Exploration expenditures decreased to RON (34) mn due to credit notes received in Q2/16 from the operator, in relation to joint operations (the Q2/15 level of RON 401 mn mostly reflecting the drilling activity in the Neptun Deep block together with the operator ExxonMobil).

Second quarter 2016 (Q2/16) vs. first quarter 2016 (Q1/16)

In Q2/16, the **average Urals crude price** increased to USD 43.91/bbl, 36% higher compared to Q1/16, while the **average realized crude price** increased to USD 36.86/bbl in Q2/16, 38% higher than in Q1/16. **Group daily production** slightly increased to 177.3 kboe/d, while total production amounted to 16.14 mn boe (Q1/16: 15.94 mn boe) due to higher production in Romania, mainly due to workover results and increased contribution from Lebada Est NAG project. **Group sales volumes** advanced by 1% compared to the Q1/16 level, mainly triggered by higher gas sales volumes, which more than offset lower oil and NGL sales. **Group production costs** in USD/boe were 1% lower than in Q1/16 level. Production costs in Romania decreased by 2% when expressed in USD/boe, and by 4% in RON/boe terms (RON 47.86/boe), as a result of increased production available for sale, lower materials, lower personnel and services costs.

Clean EBIT significantly increased compared to the Q1/16 level, mostly due to higher oil and NGL prices, lower clean exploration costs, higher gas sales volumes, lower royalties and lower production costs, only partly offset by lower gas prices and unfavorable FX rates. **Reported EBIT** also improved at RON 151 mn compared to RON (80) mn in Q1/16.

January to June 2016 (6m/16) vs. January to June 2015 (6m/15)

In 6m/16, the **average Urals crude price** decreased to USD 38.14/bbl, 33% lower compared to 6m/15, with an average **realized crude price** of USD 31.77/bbl (6m/15: USD 49.51/bbl).

Group oil and gas production amounted to 32.08 mn boe. In Romania total oil and gas production was 30.50 mn boe, 3% lower compared to 6m/15 (6m/15: 31.31 mn boe). Crude oil production in Romania was 13.30 mn bbl, 4% lower compared to 6m/15, mainly due to the natural decline and bad weather impact. Gas production in Romania decreased by 1% to 17.21 mn boe, due to the decline in main gas fields (Totea, Bulbuceni, Bustuchin) despite the successful workovers and increased contribution from Lebada Est NAG project. Oil and gas production in Kazakhstan decreased by 7% to 1.57 mn boe.

Sales volumes decreased by 4% compared to 6m/15 due to lower sales in Romania and Kazakhstan.

Group **production costs** in USD/boe were 11% lower than in 6m/15, mainly due to lower services, personnel and material costs and positive FX development. Production costs in Romania expressed in USD terms decreased by 9% to USD 12.12/boe, while in RON terms they dropped by 8% to RON 48.81/boe.

Clean EBIT decreased by 81% to RON 137 mn compared to 6m/15, mainly due to lower oil, gas and NGL prices and lower sales volumes, only partially offset by lower production costs, lower exploration expenses, lower royalties, lower depreciation (due to a diminished asset base, following the impairments booked in H2/15) and favorable FX effects (USD stronger against RON by 1%).

Reported EBIT decreased to RON 71 mn in 6m/16 (6m/15: RON 695 mn). Both periods were impacted by personnel restructuring charges and by write-offs of exploration assets.

Exploration expenses amounted to RON 144 mn (6m/15: RON 200 mn), which reflected lower expenses in the Neptun block, but also lower write-offs of exploration assets.

Investments in Upstream activities of RON 1,064 mn represented 80% of total Group's CAPEX for 6m/16, 45% below the 6m/15 level, as investments were further prioritized as a reaction to the falling oil prices. Upstream investments were focused on finalizing field redevelopments, workover activities, drilling development wells, surface facilities, as well as investments related to the Neptun Deep project.

Exploration expenditures stood at RON 242 mn, 68% lower yoy, mainly due to finalized drilling activities in Black Sea and significantly reduced exploration activities in partnership with Repsol.

Downstream

Q1/16	Q2/16	Q2/15	Δ%	in RON mn	6m/16	6m/15	Δ%
360	275	422	(35)	EBIT	634	766	(17)
118	3	102	(97)	Special items	121	105	15
(61)	137	99	38	CCS effect: Inventory holding gains/(losses) [1]	75	264	(71)
302	135	220	(39)	Clean CCS EBIT [1]	437	397	10
255	166	304	(45)	thereof Downstream Oil	421	478	(12)
47	(31)	(84)	63	thereof Downstream Gas	16	(81)	n.m.
478	321	406	(21)	Clean CCS EBITD [1]	799	760	5
59	212	77	174	CAPEX	271	121	123

Q1/16	Q2/16	Q2/15	Δ%	Downstream Oil KPIs	6m/16	6m/15	Δ%
8.06	6.82	8.95	(24)	Indicator refining margin (USD/bbl)	7.43	8.59	(14)
1.10	0.81	0.96	(16)	Refining input (mn t) [2]	1.91	1.96	(3)
94	68	81	(16)	Refinery utilization rate (%)	81	84	(3)
1.14	1.13	1.22	(7)	Total refined product sales (mn t)	2.27	2.32	(2)
0.55	0.63	0.62	2	thereof retail sales volumes (mn t) [3]	1.19	1.16	2
				Downstream Gas KPIs			
14.01	10.75	10.57	2	Gas sales volumes (TWh)	24.75	27.26	(9)
12.88	9.67	10.15	(5)	thereof to third parties (TWh)	22.55	26.10	(14)
60.0	60.0	53.3	13	Average regulated domestic gas price for households (RON/MWh)	60.0	53.3	13
0.42	0.48	0.11	333	Net electrical output (TWh)	0.91	0.40	125
140	128	129	(0)	OPCOM spot average electricity base load price (RON/MWh)	134	145	(8)

[1] *Current cost of supply (CCS): Clean CCS EBIT eliminates special items and inventory holding gains/losses (CCS effects) resulting from Downstream Oil*
[2] *Figures include crude and semi-finished products, in line with OMV Group reporting standard*
[3] *Retail sales volumes include sales via Group's filling stations in Romania, Bulgaria, Serbia and Republic of Moldova. Figures also reflected wholesales in the Republic of Moldova until end-2015, when reporting changed; historical figures were not adjusted accordingly.*

Second quarter 2016 (Q2/16) vs. second quarter 2015 (Q2/15)

- **Downstream Oil: Lower refining result reflecting the Petrobrazi planned turnaround and the weaker refining margin environment**
- **Higher retail sales volumes supported by market demand**
- **Downstream Gas: Higher gas sales volumes, supported by integration with the Brazi power plant**
- **Higher Brazi power plant output, mainly on the back of the forward market optimization**

Clean CCS EBIT decreased to RON 135 mn in Q2/16 (Q2/15: RON 220 mn), reflecting the lower contribution of the Downstream Oil segment, partly compensated by the improved result of Downstream Gas. Increased crude prices over the quarter contributed to positive CCS effects of RON 137 which led to a **reported EBIT** of RON 275 mn. **Special items** amounted to RON 3 mn in Q2/16, while in Q2/15 they were RON 102 mn, relating mainly to a legal dispute.

In Q2/16, the **Downstream Oil** Clean CCS EBIT decreased to RON 166 mn compared to RON 304 mn in Q2/15, mainly due to the weaker refining margin environment and the planned turnaround at the Petrobrazi refinery. Increased crude prices over the quarter led to positive CCS effects, thus the **reported EBIT** reached RON 305 mn.

The OMV Petrom indicator refining margin decreased significantly from USD 8.95/bbl in Q2/15 to USD 6.82/bbl in Q2/16, driven by lower product spreads, only partially compensated by lower costs for own crude consumed. The Petrobrazi refinery had a planned turnaround of approximately one month, thus the refinery utilization rate stood at 68% (Q2/15: 81%).

Total refined product sales dropped by only 7% compared with Q2/15 reflecting optimized stock management ahead of the refinery planned turnaround. In Q2/16, Group retail sales volumes, which accounted for 56% of total refined product sales, increased by 2% compared to Q2/15 due to the positive development of demand influenced by the favorable product pricing environment. Until end-2015, the Group retail sales volumes also included wholesales in the Republic of Moldova. On a comparable basis, Group retail sales volumes would have increased 4% yoy. Non-retail sales volumes decreased by 17%, reflecting increased competition in the wholesale segment in the operating region and the impact of the planned refinery turnaround.

At the end of Q2/16, the total number of filling stations operated within OMV Petrom Group increased by 7 units compared to Q2/15 to 784, as a result of new business opportunities in Romania and network optimization in the other countries within the Group.

The **Downstream Gas** Clean EBIT was RON (31) mn in Q2/16 vs. RON (84) mn in Q2/15, when it was impacted by RON (43) mn provisions for outstanding receivables. Despite the weak market environment, OMV Petrom's operational performance improved vs. Q2/15 in both gas and power markets, as a result of the integrated business model.

As per OMV Petrom's estimates, national gas demand decreased by almost 16% compared to Q2/15. OMV Petrom's total gas sales volumes increased by 2%, mainly due to higher offtake by the Brazi power plant. OMV Petrom's storage level was 2.1 TWh at the end of Q2/16 vs. 1.8 TWh at the end of Q2/15.

In Q2/16, the regulated domestic gas price for household consumers was RON 60.0/MWh vs. RON 53.3/MWh in Q2/15. On the Romanian centralized markets, which continue to see very low levels of liquidity, the price of natural gas from domestic production varied between RON 60.0/MWh and RON 89.7/MWh for gas deliveries in Q2/16 (0.22 TWh), while for deliveries in Q3/16 (0.15 TWh) the gas price varied between RON 72.0/MWh and RON 89.7/MWh[2].

As per currently available information from the grid operator, national gross electricity production was 4% lower yoy, while demand was relatively flat compared to the same quarter of the previous year, which led to lower net exports compared to the Q2/15 level.

According to OPCOM, the base load electricity price averaged RON 128/MWh (Q2/15: RON 129/MWh), while the peak load electricity price averaged RON 137/MWh (Q2/15: RON 137/MWh).

In Q2/16, capitalizing on the improved portfolio optimization, both on forward and spot markets, the Brazi power plant generated a net electrical output of 0.46 TWh (Q2/15: 0.09 TWh). The Dorobantu wind park delivered almost 0.02 TWh of net electrical output, receiving around 25,400 green certificates, half of them eligible for sale after January 1, 2018 (Q2/15: around 31,500 green certificates, half of them eligible for sale).

Total **Downstream investments** were at the amount of RON 212 mn (Q2/15: RON 77 mn), thereof RON 206 mn in Downstream Oil (Q2/15: RON 76 mn). This increase was mainly driven by works associated with the planned refinery turnaround and investments directed to efficiency as well as to replacement, legal and environmental compliance projects.

Second quarter 2016 (Q2/16) vs. first quarter 2016 (Q1/16)

Clean CCS EBIT decreased compared to Q1/16, reflecting lower contribution from both the Downstream Oil and Downstream Gas segments. **Reported EBIT** was RON 275 mn (Q1/16: RON 360 mn).

The **Downstream Oil** Clean CCS EBIT decreased in Q2/16 compared to Q1/16, mainly impacted by the planned turnaround at the Petrobrazi refinery and the decrease in refining margins.

The OMV Petrom indicator refining margin decreased from USD 8.06/bbl in Q1/16 to USD 6.82/bbl in Q2/16, mainly triggered by higher crude prices and weakening products spreads. The refinery utilization rate was 68% (Q1/16: 94%) being impacted by the refinery planned turnaround. The retail business saw improved sales volumes on the back of seasonally higher demand.

The **Downstream Gas** Clean EBIT in Q2/16 was RON (31) mn vs. RON 47 mn in Q1/16, reflecting lower gas sales volumes due to seasonality and challenging market conditions; additionally, a RON 15 mn reversal of provisions for outstanding receivables was recorded in Q1/16.

[2] *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.*

While the national gas demand significantly dropped by 60%, as per our internal estimates, impacted by seasonality and warm weather, OMV Petrom gas sales volumes decreased by 23%.

Despite lower electricity prices, the Brazi power plant net electrical output increased by 17%, benefitting from forward sales. The Dorobantu wind park generated a seasonally lower net output.

January to June 2016 (6m/16) vs. January to June 2015 (6m/15)

Downstream Clean CCS EBIT increased to RON 437 mn vs. RON 397 mn in 6m/15, mainly driven by favorable development of provisions for outstanding receivables in the gas business. Net special items totaled RON 121 mn, mainly coming from Q1/16, driven by the final court decisions to reduce the fines imposed by the Competition Council in 2011, while CCS effects stood at RON 75 mn, leading to a **reported EBIT** of RON 634 mn (6m/15: RON 766 mn).

The **Downstream Oil** Clean CCS EBIT decreased to RON 421 mn in 6m/16 driven by lower refining margins, the planned refinery turnaround from Q2/16, partially offset by improved retail demand.

The OMV Petrom indicator refining margin declined from USD 8.59/bbl in 6m/15 to USD 7.43/bbl in 6m/16, mainly influenced by lower spreads for middle distillates and gasoline, partially offset by lower costs for own crude consumed. The refinery utilization rate decreased to 81% compared to 84% in 6m/15, due to the planned refinery turnaround.

Total refined product sales slightly decreased by 2% compared to 6m/15. Group retail sales volumes were up by 2% driven by higher demand and network optimization. On a comparable basis, Group retail sales volumes would have increased 5% yoy. Non-retail sales decreased by 7% due to increased competition in the wholesale segment within the operating region and following the planned refinery turnaround from Q2/16.

The **Downstream Gas** Clean EBIT improved to RON 16 mn in 6m/16 from RON (81) mn in 6m/15, when it was affected by the RON (78) mn provisions for outstanding receivables booked in the gas business, whereas the 6m/16 result reflected a RON 15 mn reversal of provisions.

As per our internal estimates, Romania's gas demand recorded an 8% decrease compared to the same period of last year. Despite higher offtake by the Brazi power plant, OMV Petrom's gas sales decreased by 9% as compared to 6m/15, impacted by lower demand and volumes available in storage at the beginning of 2016 (according to the company's objective to minimize storage expenses).

In 6m/16, national estimated electricity consumption remained stable, while the country's estimated electricity output was down by almost 5% as compared to 6m/15, with the highest decrease coming from renewable and coal generation sources. This translated into lower net exports compared to 6m/15 level. OMV Petrom's net electrical output was significantly higher, reflecting Brazi's increased production of 0.86 TWh (6m/15: 0.35 TWh) by capitalizing on the forward position. Net plant availability stood at 87%, reflecting the planned outage in Q2/16.

With 98% availability, the Dorobantu wind park net electrical output was 0.04 TWh, for which OMV Petrom Wind Power S.R.L. received around 67,500 green certificates, half of them eligible for sale after January 1, 2018 (6m/15: roughly 77,400 green certificates, half of them eligible for sale).

Total **investments in Downstream** were at the amount of RON 271 mn (6m/15: RON 121 mn). Downstream Oil investments of RON 263 mn were significantly higher vs. RON 118 mn in 6m/15, mainly reflecting the planned refinery turnaround and investments directed to efficiency as well as to replacement, legal and environmental compliance projects.

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

Interim condensed consolidated income statement (unaudited)

Q1/16	Q2/16	Q2/15	Interim condensed consolidated income statement (in RON mn)	6m/16	6m/15
3,558.54	3,633.09	4,540.24	Sales revenues	7,191.63	8,810.98
(78.70)	(66.96)	(102.65)	Direct selling expenses	(145.66)	(211.19)
(2,916.76)	(2,966.66)	(3,255.75)	Production costs of sales	(5,883.42)	(6,398.83)
563.08	**599.47**	**1,181.84**	**Gross profit**	**1,162.55**	**2,200.96**
266.70	79.22	232.93	Other operating income	345.92	286.61
(213.84)	(245.75)	(233.75)	Selling expenses	(459.59)	(465.57)
(37.42)	(26.48)	(45.40)	Administrative expenses	(63.90)	(98.79)
(56.82)	(86.78)	(133.27)	Exploration expenses	(143.60)	(199.55)
(179.10)	(101.62)	(216.23)	Other operating expenses	(280.72)	(443.39)
342.60	**218.06**	**786.12**	**Earnings before interest and taxes (EBIT)**	**560.66**	**1,280.27**
3.23	2.10	2.07	Income from associated companies	5.33	3.74
69.35	14.49	139.96	Interest income	83.84	149.10
(75.64)	(85.31)	(72.98)	Interest expenses	(160.95)	(152.18)
3.46	(17.46)	(26.09)	Other financial income and expenses	(14.00)	20.42
0.40	**(86.18)**	**42.96**	**Net financial result**	**(85.78)**	**21.08**
343.00	**131.88**	**829.08**	**Profit before tax**	**474.88**	**1,301.35**
(54.78)	(15.24)	(138.00)	Taxes on income	(70.02)	(265.01)
288.22	**116.64**	**691.08**	**Net income for the period**	**404.86**	**1,036.34**
290.54	**117.73**	**692.54**	**thereof attributable to stockholders of the parent**	**408.27**	**1,041.36**
(2.32)	(1.09)	(1.46)	thereof attributable to non-controlling interests	(3.41)	(5.02)
0.0051	**0.0021**	**0.0122**	**Basic earnings per share (RON)**	**0.0072**	**0.0184**

Interim condensed consolidated statement of comprehensive income (unaudited)

Q1/16	Q2/16	Q2/15	Interim condensed consolidated statement of comprehensive income (in RON mn)	6m/16	6m/15
288.22	**116.64**	**691.08**	**Net income for the period**	**404.86**	**1,036.34**
(1.76)	(0.06)	12.43	Exchange differences from translation of foreign operations	(1.82)	(0.52)
(11.47)	(2.74)	(13.79)	Gains/(losses) on hedges	(14.21)	(10.14)
(13.23)	**(2.80)**	**(1.36)**	**Total of items that may be reclassified ("recycled") subsequently to the income statement**	**(16.03)**	**(10.66)**
16.53	(8.35)	8.88	Income tax relating to items that may be reclassified ("recycled") subsequently to the income statement	8.18	(16.49)
16.53	**(8.35)**	**8.88**	**Total income taxes relating to components of other comprehensive income**	**8.18**	**(16.49)**
3.30	**(11.15)**	**7.52**	**Other comprehensive income/(loss) for the period, net of tax**	**(7.85)**	**(27.15)**
291.52	**105.49**	**698.60**	**Total comprehensive income for the period**	**397.01**	**1,009.19**
290.91	108.39	698.78	thereof attributable to stockholders of the parent	399.30	1,017.31
0.61	(2.90)	(0.18)	thereof attributable to non-controlling interests	(2.29)	(8.12)

Interim condensed consolidated statement of financial position (unaudited)

Interim condensed consolidated statement of financial position (in RON mn)	June 30, 2016	December 31, 2015
Assets		
Intangible assets	2,522.99	2,430.02
Property, plant and equipment	28,815.69	29,278.19
Investments in associated companies	42.07	40.69
Other financial assets	2,687.40	2,627.56
Other assets	79.44	80.29
Deferred tax assets	1,550.24	1,562.88
Non-current assets	**35,697.83**	**36,019.63**
Inventories	1,951.52	1,965.12
Trade receivables	1,288.41	1,318.28
Other financial assets	211.58	257.09
Other assets	610.71	626.90
Cash and cash equivalents	724.46	812.56
Current assets	**4,786.68**	**4,979.95**
Assets held for sale	116.96	118.58
Total assets	**40,601.47**	**41,118.16**
Equity and liabilities		
Capital stock	5,664.41	5,664.41
Reserves	20,478.08	20,078.72
Stockholders' equity	**26,142.49**	**25,743.13**
Non-controlling interests	(57.47)	(55.10)
Total equity	**26,085.02**	**25,688.03**
Provisions for pensions and similar obligations	237.22	238.72
Interest-bearing debts	1,263.92	1,423.70
Provisions for decommissioning and restoration obligations	7,877.10	7,941.21
Other provisions	494.68	498.99
Other financial liabilities	239.39	266.26
Deferred tax liabilities	2.36	12.72
Non-current liabilities	**10,114.67**	**10,381.60**
Trade payables	1,980.08	2,317.81
Interest-bearing debts	443.84	378.72
Income tax liabilities	57.28	107.10
Other provisions and decommissioning	881.46	911.08
Other financial liabilities	262.30	548.13
Other liabilities	768.05	775.27
Current liabilities	**4,393.01**	**5,038.11**
Liabilities associated with assets held for sale	8.77	10.42
Total equity and liabilities	**40,601.47**	**41,118.16**

Interim condensed consolidated statement of changes in equity (unaudited)

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

in RON mn	Share capital	Revenue reserves	Other reserves[1]	Treasury shares	Stockholders' equity	Non-controlling interests	Total Equity
January 1, 2015	**5,664.41**	**21,341.07**	**36.11**	**(0.02)**	**27,041.57**	**(36.29)**	**27,005.28**
Net income/(loss) for the period	-	1,041.36	-	-	1,041.36	(5.02)	1,036.34
Other comprehensive loss for the period	-	-	(24.05)	-	(24.05)	(3.10)	(27.15)
Total comprehensive income/(loss) for the period	**-**	**1,041.36**	**(24.05)**	**-**	**1,017.31**	**(8.12)**	**1,009.19**
Dividend distribution	-	(634.41)	-	-	(634.41)	(0.09)	(634.50)
Change in interests	-	-	-	-	-	0.01	0.01
June 30, 2015	**5,664.41**	**21,748.02**	**12.06**	**(0.02)**	**27,424.47**	**(44.49)**	**27,379.98**

[1]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)

Q1/16	Q2/16	Q2/15	Summarized interim condensed consolidated statement of cash flows (in RON mn)	6m/16	6m/15
343.00	**131.88**	**829.08**	**Profit before tax**	**474.88**	**1,301.35**
(132.38)	(15.03)	25.87	Net change in provisions	(147.41)	(226.43)
1.60	(9.93)	(3.03)	Losses/(gains) on the disposal of non-current assets	(8.33)	(4.58)
830.46	916.51	974.16	Depreciation, amortization and impairments including write-ups	1,746.97	1,847.43
(12.51)	(20.95)	141.96	Net interest received / (paid)	(33.46)	124.79
(80.95)	(25.42)	(146.51)	Tax on profit paid	(106.37)	(420.03)
(7.19)	26.12	(86.66)	Other non-monetary adjustments	18.93	(112.78)
942.03	**1,003.18**	**1,734.87**	**Sources of funds** [1]	**1,945.21**	**2,509.75**
208.75	(208.07)	(108.69)	(Increase)/decrease in inventories	0.68	56.24
(178.15)	210.68	(8.24)	(Increase)/decrease in receivables	32.53	(103.12)
(84.35)	(122.81)	41.73	(Decrease)/increase in liabilities	(207.16)	(12.52)
888.28	**882.98**	**1,659.67**	**Cash flow from operating activities**	**1,771.26**	**2,450.35**
(1,010.80)	(754.53)	(1,503.43)	Intangible assets and property, plant and equipment	(1,765.33)	(2,898.34)
4.29	1.92	11.46	Proceeds from sale of non-current assets	6.21	24.63
(1,006.51)	**(752.61)**	**(1,491.97)**	**Cash flow from investing activities**	**(1,759.12)**	**(2,873.71)**
(41.17)	(59.26)	178.72	(Decrease) / increase in borrowings	(100.43)	149.57
(0.18)	(0.22)	(627.79)	Dividends paid	(0.40)	(628.35)
(41.35)	**(59.48)**	**(449.07)**	**Cash flow from financing activities**	**(100.83)**	**(478.78)**
0.40	0.19	(1.87)	Effect of exchange rate changes on cash and cash equivalents	0.59	6.22
(159.18)	**71.08**	**(283.24)**	**Net increase/(decrease) in cash and cash equivalents**	**(88.10)**	**(895.92)**
812.56	653.38	655.30	Cash and cash equivalents at beginning of period	812.56	1,267.98
653.38	**724.46**	**372.06**	**Cash and cash equivalents at end of period**	**724.46**	**372.06**
(118.23)	**130.37**	**167.70**	**Free cash flow**	**12.14**	**(423.36)**
(118.41)	**130.15**	**(460.09)**	**Free cash flow after dividends**	**11.74**	**(1,051.71)**

[1] *representing cash generated from operating activities before working capital movements*

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

Legal principles

The interim condensed consolidated financial statements as of and for the six month period ended June 30, 2016 (6m/16) have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as of December 31, 2015.

The interim condensed consolidated financial statements for 6m/16 included in this report are unaudited and an external limited review by an auditor was not performed.

The interim condensed consolidated financial statements for 6m/16 have been prepared in million RON (RON mn, RON 1,000,000). Accordingly there may be rounding differences.

General accounting policies

The accounting policies and valuation methods adopted in preparation of the interim condensed consolidated financial statements are consistent with those followed in preparation of the Group's annual consolidated financial statements for the year ended December 31, 2015, except as described herein.

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

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

Changes in the consolidated Group

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

The detailed structure of the consolidated companies in OMV Petrom Group at June 30, 2016 is presented in the Appendix 1 to the current report.

Seasonality and cyclicality

Seasonality is of particular significance in Downstream; for details please refer to the relevant section in "Business segments".

In addition to the interim condensed consolidated financial statements and notes, further information on main factors affecting the interim condensed consolidated financial statements as of and for the six months period ended June 30, 2016 is given as part of the description of OMV Petrom Group's Business Segments in the Director's Report.

Exchange rates

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

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

Q1/16	Q2/16	Q2/15	Δ%	NBR FX rates	6m/16	6m/15	Δ%
4.491	4.498	4.444	1	Average EUR/RON FX rate	4.495	4.447	1
4.073	3.984	4.018	(1)	Average USD/RON FX rate	4.029	3.989	1
4.474	4.521	4.474	1	Closing EUR/RON FX rate	4.521	4.474	1
3.935	4.062	3.997	2	Closing USD/RON FX rate	4.062	3.997	2

Notes to the income statement

Income tax

Q1/16	Q2/16	Q2/15	In RON mn	6m/16	6m/15
54.78	**15.24**	**138.00**	**Taxes on income**	**70.02**	**265.01**
27.51	37.27	190.22	Current taxes	64.78	304.08
27.27	(22.03)	(52.22)	Deferred taxes	5.24	(39.07)
16%	12%	17%	Group effective tax rate	15%	20%

Notes to the statement of financial position

Commitments

As at June 30, 2016 OMV Petrom Group had commitments for investments of RON 746 mn (December 31, 2015: RON 1,261 mn) mainly relating to exploration and production activities in Upstream.

Inventories

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

Equity

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

Financial liabilities

As of June 30, 2016, short- and long-term interest bearing debts and finance leases amounted to RON 1,985 mn (December 31, 2015: RON 2,099 mn), thereof RON 278 mn liabilities for finance leases (December 31, 2015: RON 296 mn).

Fair value measurement

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

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

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

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

Financial instruments on asset side (in RON mn)	June 30, 2016 Level 1	Level 2	Level 3	Total	December 31, 2015 Level 1	Level 2	Level 3	Total
Derivatives designated and effective as hedging instruments	-	-	-	-	-	-	-	-
Other derivatives	-	6.52	-	**6.52**	-	105.16	-	**105.16**
Total	**-**	**6.52**	**-**	**6.52**	**-**	**105.16**	**-**	**105.16**

Financial instruments on liability side (in RON mn)	June 30, 2016 Level 1	Level 2	Level 3	Total	December 31, 2015 Level 1	Level 2	Level 3	Total
Liabilities on derivatives designated and effective as hedging instruments	-	-	-	**-**	-	-	-	-
Liabilities on other derivatives	-	(0.08)	-	**(0.08)**	-	(102.05)	-	**(102.05)**
Total	**-**	**(0.08)**	**-**	**(0.08)**	**-**	**(102.05)**	**-**	**(102.05)**

There were no transfers between levels of the fair value hierarchy.

Interest-bearing debts amounting to RON 1,708 mn (December 31, 2015: RON 1,802 mn) are valued at amortized cost. The estimated fair value of these liabilities was RON 1,745 mn (December 31, 2015: RON 1,812 mn). The carrying amount of all other financial assets and financial liabilities that were measured at amortized cost approximates their fair value.

Segment reporting

Intersegmental sales

Q1/16	Q2/16	Q2/15	Δ%	in RON mn	6m/16	6m/15	Δ%
1,531.16	1,772.86	2,400.79	(26)	Upstream	3,304.02	4,453.86	(26)
69.39	58.95	79.03	(25)	Downstream [1]	128.34	165.85	(23)
20.44	16.64	25.63	(35)	thereof Downstream Oil	37.08	52.94	(30)
87.15	65.02	84.78	(23)	thereof Downstream Gas	152.17	180.31	(16)
(38.20)	(22.71)	(31.38)	28	thereof intersegmental elimination Downstream Oil and Downstream Gas	(60.91)	(67.40)	10
40.58	43.12	50.51	(15)	Corporate and Other	83.70	97.92	(15)
1,641.13	**1,874.93**	**2,530.33**	**(26)**	**Total**	**3,516.06**	**4,717.63**	**(25)**

Sales to external customers

Q1/16	Q2/16	Q2/15	Δ%	in RON mn	6m/16	6m/15	Δ%
111.35	105.17	169.61	(38)	Upstream	216.52	310.66	(30)
3,439.90	3,517.03	4,364.46	(19)	Downstream	6,956.93	8,488.77	(18)
2,281.88	2,712.96	3,598.97	(25)	thereof Downstream Oil	4,994.84	6,420.85	(22)
1,158.02	804.07	765.49	5	thereof Downstream Gas	1,962.09	2,067.92	(5)
7.29	10.89	6.17	76	Corporate and Other	18.18	11.55	57
3,558.54	**3,633.09**	**4,540.24**	**(20)**	**Total**	**7,191.63**	**8,810.98**	**(18)**

Total sales (not consolidated)

Q1/16	Q2/16	Q2/15	Δ%	in RON mn	6m/16	6m/15	Δ%
1,642.51	1,878.03	2,570.40	(27)	Upstream	3,520.54	4,764.52	(26)
3,509.29	3,575.98	4,443.49	(20)	Downstream[1]	7,085.27	8,654.62	(18)
2,302.32	2,729.60	3,624.60	(25)	thereof Downstream Oil	5,031.92	6,473.79	(22)
1,245.17	869.09	850.27	2	thereof Downstream Gas	2,114.26	2,248.23	(6)
(38.20)	(22.71)	(31.38)	28	thereof intersegmental elimination Downstream Oil and Downstream Gas	(60.91)	(67.40)	10
47.87	54.01	56.68	(5)	Corporate and Other	101.88	109.47	(7)
5,199.67	**5,508.02**	**7,070.57**	**(22)**	**Total**	**10,707.69**	**13,528.61**	**(21)**

[1] *Sales Downstream = Sales Downstream Oil + Sales Downstream Gas – intersegmental elimination Downstream Oil and Downstream Gas*

Segment and Group profit

Q1/16	Q2/16	Q2/15	Δ%	in RON mn	6m/16	6m/15	Δ%
(80.00)	151.29	531.20	(72)	EBIT Upstream	71.29	695.28	(90)
359.60	274.57	421.57	(35)	EBIT Downstream	634.17	766.30	(17)
312.20	304.64	505.64	(40)	thereof EBIT Downstream Oil	616.84	847.22	(27)
47.40	(30.07)	(84.07)	64	thereof EBIT Downstream Gas	17.33	(80.92)	n.m.
(16.87)	(7.79)	(10.48)	26	EBIT Corporate and Other	(24.66)	(36.09)	32
262.73	**418.07**	**942.29**	**(56)**	**EBIT segment total**	**680.80**	**1,425.49**	**(52)**
79.87	(200.01)	(156.17)	(28)	Consolidation: Elimination of intersegmental profits	(120.14)	(145.22)	17
342.60	**218.06**	**786.12**	**(72)**	**OMV Petrom Group EBIT**	**560.66**	**1,280.27**	**(56)**
0.40	**(86.18)**	**42.96**	**n.m.**	**Net financial result**	**(85.78)**	**21.08**	**n.m.**
343.00	**131.88**	**829.08**	**(84)**	**OMV Petrom Group profit before tax**	**474.88**	**1,301.35**	**(64)**

Assets[1]

in RON mn	June 30, 2016	December 31, 2015
Upstream	23,742.44	24,003.63
Downstream	7,097.72	7,197.07
thereof Downstream Oil	5,368.49	5,420.51
thereof Downstream Gas	1,729.23	1,776.56
Corporate and Other	498.52	507.51
Total	**31,338.68**	**31,708.21**

[1] *Segment assets consist of intangible assets and property, plant and equipment*

Other notes

Significant transactions with related parties

Significant transactions in form of supplies of goods and services take place on a constant and regular basis with companies from OMV Group. The most significant ones are disclosed in the Appendix 2 of this report.

Subsequent events

Changes in the Supervisory Board: Reinhard Florey has been appointed as an interim member and Deputy President of the Supervisory Board, effective August 1, 2016 until the next General Meeting of Shareholders.

Declaration of the management

We confirm to the best of our knowledge that the unaudited interim condensed consolidated financial statements for the six month period ended June 30, 2016 give a true and fair view of OMV Petrom Group's assets, liabilities, financial position and profit or loss, as required by the applicable accounting standards, and that the Directors' Report gives a true and fair view of important events that have occurred during the first six months of the financial year 2016 and their impact on the interim condensed consolidated financial statements, and a description of the principal risks and uncertainties.

Bucharest, August 10, 2016

The Executive Board

Mariana Gheorghe
Chief Executive Officer
President of the Executive Board

Andreas Matje
Chief Financial Officer
Member of the Executive Board

Peter Zeilinger
Member of the Executive Board
Upstream

Lacramioara Diaconu-Pintea
Member of the Executive Board
Downstream Gas

Neil Anthony Morgan
Member of the Executive Board
Downstream Oil

Further information

Abbreviation and definitions

ANRE	Romanian Energy Regulatory Authority
bbl	barrel(s), i.e. 159 liters
bcf	billion cubic feet; 1 bcm = 35.3147 bcf for Romania or 34.7793 bcf for Kazakhstan
boe; kboe; kboe/d	barrels of oil equivalent; thousand barrels of oil equivalent; kboe per day
bn	billion
bcm	billion cubic meters
capital employed	equity including minorities plus net debt
CEO	Chief Executive Officer
Co&O	Corporate and Other
CAPEX	Capital expenditure
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 (EBIT, Net income, etc.). The amount disclosed as CCS effects represents the difference between the charge to the income statement for inventory on a weighted average basis (adjusted for the change in valuation allowances related to realizable value) and the charge based on the current cost of supply. The current cost of supply is calculated monthly using data from our refinery's supply and production systems at Downstream Oil level.
Clean CCS EBIT	Earnings before interest and tax adjusted for special items and CCS effects. Group clean CCS EBIT is calculated by adding the clean CCS EBIT of Downstream Oil, the clean EBIT of the other segments and the reported consolidation effect adjusted for changes in valuation allowances, in case the net realizable value of the inventory is lower than its cost.
Clean CCS net income attributable to stockholders	Net income attributable to stockholders, adjusted for the after tax effect of special items and CCS
Clean CCS EPS	Clean CCS Earnings per share = Clean CCS net income attributable to stockholders divided by weighted number of shares
Clean CCS ROACE	Clean CCS Return On Average Capital Employed = NOPAT (as a sum of current and last three quarters) adjusted for the after tax effect of special items and CCS, divided by average Capital Employed (on a rolling basis, as an average of last four quarters) (%)
CFPS	Cash Flow Per Share = Cash flow from operating activities divided by weighted number of shares
EBIT	Earnings before interest and tax
EBITD	Earnings Before Interest, Taxes, Depreciation and amortization, impairments and write-ups of fixed assets
EPS	Earnings per share = Net income attributable to stockholders divided by weighted number of shares

Effective tax rate	Taxes on income divided by Profit before tax (%)
Equity ratio	Total equity divided by total assets (%)
EUR	euro
ExxonMobil	ExxonMobil Exploration and Production Romania Limited
FX	Foreign Exchange
Gearing ratio	Net debt divided by total equity (%)
HSSE	Health, Safety, Security and Environment
IFRSs; IASs	International Financial Reporting Standards; International Accounting Standards
mn	million
MWh	megawatt hour
NBR	National Bank of Romania
Net debt	Interest bearing debts plus finance lease liabilities less cash and cash equivalents
NGL	Natural Gas Liquids
n.a.	not applicable/not available (as the case may be)
n.m.	not meaningful i.e. deviation exceeds (+/-) 500% or comparison is made between positive and negative values
NOPAT	Net Operating Profit After Tax =Net income attributable to stockholders of the parent, adjusted for net interest on net borrowings, +/– result from discontinued operations, +/– tax effect of adjustments
OPCOM	The administrator of the Romanian electricity market
OPEX	Operating Expenditures
Q	quarter
ROACE	Return On Average Capital Employed = NOPAT (as a sum of current and last three quarters) divided by average Capital Employed (on a rolling basis, as an average of last four quarters) (%)
ROE	Return On Equity = Net income attributable to stockholders (as a sum of current and last three quarters) divided by average equity (on a rolling basis, as an average of last four quarters) (%)
ROFA	Return On Fixed Assets = EBIT (as a sum of current and last three quarters) divided by average intangible assets and property plant and equipment (on a rolling basis, as an average of last four quarters) (%)
RON	Romanian leu
S.A.; S.R.L.	Societate pe Actiuni (Joint-stock company); Societate cu Raspundere Limitata (Limited liability company)
Special items	Special items are expenses and income reflected in the financial statements that are disclosed separately, as they are not part of underlying ordinary business operations. They are being disclosed separately in order to enable investors to better understand and evaluate OMV Petrom Group's reported financial performance.
TOC	Tasbulat Oil Corporation
t	metric tonne(s)
TWh	terawatt hour
USD	United States dollar
yoy	year-on-year

Appendix 1

Consolidated companies in OMV Petrom Group at June 30, 2016

Parent company
OMV Petrom S.A.

Subsidiaries

Upstream		Downstream Oil	
Tasbulat Oil Corporation LLP (Kazakhstan)[1]	100.00%	OMV Petrom Marketing S.R.L.	100.00%
Kom Munai LLP (Kazakhstan)	95.00%	OMV Petrom Aviation S.A.	99.99%
Petrom Exploration & Production Ltd.	99.99%	ICS Petrom Moldova S.A. (Republic of Moldova)	100.00%
		OMV Bulgaria OOD (Bulgaria)	99.90%
		OMV Srbija DOO (Serbia)	99.96%
Downstream Gas		**Corporate & Other**	
OMV Petrom Gas S.R.L.	99.99%	Petromed Solutions S.R.L.	99.99%
OMV Petrom Wind Power S.R.L.	99.99%		

[1] *Owned through Tasbulat Oil Corporation BVI as holding company*

Associated company, accounted for at equity	
OMV Petrom Global Solutions S.R.L.	25.00%

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

Appendix 2

Significant transactions with related parties

During the first six months of the financial year 2016, OMV Petrom Group had the following significant transactions with related parties (including significant balances as of June 30, 2016):

Related party (in RON mn)	Purchases 6m/16	Balances payable June 30, 2016
OMV Petrom Global Solutions S.R.L.	232.00	37.67
OMV Refining & Marketing GmbH	57.00	32.14
OMV International Services GmbH	2.85	33.63

Related party (in RON mn)	Revenues 6m/16	Balances receivable June 30, 2016
OMV Supply & Trading Limited	276.04	-
OMV Deutschland GmbH	70.31	8.40
OMV Trading GmbH	63.12	-
OMV International Services GmbH	0.71	14.12

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

Related party (in RON mn)	Purchases 6m/15	Balances payable December 31, 2015
OMV Petrom Global Solutions S.R.L.	250.29	31.20
OMV Refining & Marketing GmbH	128.70	54.88
OMV Supply & Trading Limited	80.17	0.84
OMV Exploration & Production GmbH	41.68	17.73

Related party (in RON mn)	Revenues 6m/15	Balances receivable December 31, 2015
OMV Supply & Trading Limited	506.30	12.37
OMV Deutschland GmbH	127.36	22.15
OMV Supply & Trading AG	59.98	0.65
OMV International Services GmbH	1.48	14.15

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

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Next release:

The next results announcement for January – September and Q3 2016 will be released on November 9, 2016, presenting OMV Petrom consolidated results prepared according to IFRS.

Disclaimer

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