



**OMV Petrom** 

#### Mariana Gheorghe

Chief Executive Officer and President of the Executive Board

#### **Andreas Matje**

**Chief Financial Officer** 

The spoken word applies. Check against delivery.



# Mariana Gheorghe - *OMV Petrom S.A. - CEO* Slide 1 – Intro slide

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

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 for Q3 and 9m/16 and then we will review the Outlook for 2016.

Afterwards we will have a Q&A session.



## **Legal Disclaimer**

This presentation does not, and is not intended to, constitute or form part of, and should not be construed as, constituting or forming part of, any actual offer to sell or issue, or any solicitation of any offer to purchase or subscribe for, any shares issued by the Company or any of its subsidiaries in any jurisdiction or any inducement to enter into investment activity, nor shall this document or any part of it, or the fact of it being made available, form the basis of, or be relied on in any way whatsoever. No part of this presentation, nor the fact of its distribution, shall form part of or be relied on in connection with any contract or investment decision relating thereto; nor does it constitute a recommendation regarding the securities issued by the Company. The information and opinions contained in this presentation and any other information discussed in this presentation are provided as at the date of this presentation and are therefore of a preliminary nature, have not been independently verified and may be subject to updating, revision, amendment or change without notice. Where this presentation quotes any information or statistics from any external source, it should not be interpreted that the Company has adopted or endorsed such information or statistics as being accurate.

No reliance may be placed for any purpose whatsoever on the information contained in this presentation, or any other material discussed verbally. No representation or warranty, express or implied, is given as to the accuracy, fairness or currentness of the information or the opinions contained in this document or on its completeness and no liability is accepted for any such information, for any loss howsoever arising, directly or indirectly, from any use of this presentation or any of its content or otherwise arising in connection therewith.

This presentation contains forward-looking statements. These statements reflect the Company's current knowledge and its expectations and projections about future events and may be identified by the context of such statements or words such as "anticipate," "believe", "estimate", "expect", "intend", "plan", "project", "target", "may", "will", "would", "could" or "should" or similar terminology. By their nature, forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond the Company's control that could cause the Company's actual results and performance to differ materially from any expected future results or performance expressed or implied by any forward-looking statements.

None of the future projections, expectations, estimates or prospects in this presentation should in particular be taken as forecasts or promises nor should they be taken as implying any indication, assurance or guarantee that the assumptions on which such future projections, expectations, estimates or prospects have been prepared or the information and statements contained herein are accurate or complete. As a result of these risks, uncertainties and assumptions, you should in particular not place reliance on these forward-looking statements as a prediction of actual results or otherwise. This presentation does not purport to contain all information that may be necessary in respect of the Company or its shares and in any event each person receiving this presentation needs to make an independent assessment.

The Company undertakes no obligation publicly to release the results of any revisions to any forward-looking statements in this presentation that may occur due to any change in its expectations or to reflect events or circumstances after the date of this presentation.

This presentation and its contents are proprietary to the Company and neither this document nor any part of it may be reproduced or redistributed to any other person.



2 OMV Petrom results Q3/16

**OMV Petrom** 

But first, please let me draw your attention to our Legal Disclaimer, which you can read in detail on slide 2.



### Key messages Q3/16

- ▶ Free cash flow at RON 1.1 bn, due to capex prioritization and solid operational performance
- ▶ Clean CCS EBIT at RON 602 mn, supported by Downstream contribution
- ▶ Upstream: hydrocarbon production at 174 kboe/d; efficiency measures continued
- ▶ Downstream Oil: high refinery utilization rate and good retail sales volumes
- ▶ Downstream Gas: high gas and power sales, challenging gas market
- ▶ Capex guidance for 2016 reduced by EUR 100 mn to EUR 0.6 bn
- ▶ Since 20 Oct 2016, OMV Petrom's GDRs are traded on the London Stock Exchange



3 OMV Petrom results Q3/16

**OMV Petrom** 

Let me now start with the key messages for the third quarter of 2016. We are proud of OMV Petrom's performance in Q3/16 which shows consistent delivery on our promises. Our continued efforts for CAPEX prioritization and strict cost discipline are bearing fruits as visible in the significant improvement of our free cash flow position to RON 1.1 billion.

Our clean CCS EBIT reached RON 602 million, supported by an increased Downstream contribution to 65% of Group CCS EBIT in Q3/16 from 59% in Q2/16 and 47% in Q3/15.

Looking at each business segment, in Upstream, the efficiency enhancement measures continued. We achieved a hydrocarbon production of 174 kboe/day, stable compared to Q3/15 and significant production cost reductions to the level of 11.3 USD/boe in Q3/16.

In Downstream Oil, our retail sales volumes benefitted from the driving season. Following the turnaround completion in  $\Omega$ 2/16, we also had a significant increase in the refinery utilization rate.

In Downstream Gas, we were faced with a challenging gas market in terms of demand and price trends. Yet, we managed to achieve an increase in sales volumes in both gas and power.

The continued focus on the most profitable barrels led us to revise downwards our full year CAPEX target by around EUR 100 million to EUR 600 million, implying a reduction of approximately 30% compared to 2015.

Last but not least, I want to mention the sale by Fondul Proprietatea of a 6.4% stake in OMV Petrom (in the form of shares and GDRs), which led to an increase in our free float to 15.8%. As of 20<sup>th</sup> of October, the GDRs are trading on the London Stock Exchange.



# High safety and efficiency focus



- ► Operational safety our top priority
- LTIR substantially improved
- ▶ In the last 12 months the Combined LTIR for Petrom Group was constantly under IOGP<sup>2</sup> benchmark
- <sup>1</sup> Lost time injury rate (employees and contractors) for OMV Petrom Group, excluding Kazakhstan;
  <sup>2</sup> International Association of Oil & Gas Producers LTIR IOGP 2015=0.29



4 OMV Petrom results Q3/16

**OMV Petrom** 

On the next slide, I would like to emphasize 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 nine months of the year, constantly below the international industry benchmark, although somewhat higher than last year.



# Romanian macroeconomic and fiscal environment

# Macroeconomic environment

- ▶ Q2/16 GDP growth<sup>1</sup>: +5.9%
- ▶ CPI annual inflation: -0.6% end-Sept;12-month average: -1.7%
- ▶ Budget balance: -0.5% of GDP end Sept 2016
- ▶ FDI: EUR 2.7 bn in Jan-Aug, +19% higher yoy
- ▶ Investment grade rating: BBB- (S&P and Fitch), Baa3 (Moody's)
- ▶ **Demand in Q3/16 yoy:** Fuels<sup>2</sup> +5%; Gas -6%; Power<sup>3</sup> +2%

# Fiscal framework

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

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



5 OMV Petrom results Q3/16

**OMV Petrom** 

Moving on to slide 5, let me start with a few macroeconomic highlights on Romania, which achieved a solid economic performance. Without going into all details, I would want to outline the robust GDP growth, one of the highest in the European Union, at 5.9% for Q2/16 and the 12-month average CPI of -1.7%.

As a result of these favorable macroeconomic developments, Romania remained a country with an investment grade rating according to all rating agencies.

Looking at the Romanian energy sector, we can see that demand trends for our main products have gone in different directions. The fuels market, and here I refer only to retail diesel and gasoline sales, increased by around 5% in  $\Omega3/16$  vs.  $\Omega3/15$ .

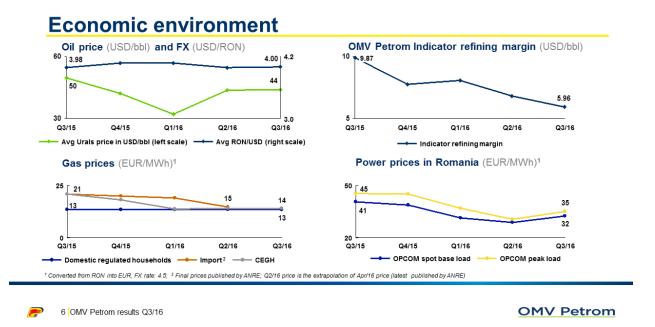
On the other hand, for gas the downward trend has continued. Demand decreased by around 6% in Q3/16 vs. Q3/15, as per our internal estimates. The decline was lower in Q3 vs. Q2 (we estimate by around 2%), but we also witnessed a twofold increase in import volumes.

In terms of electricity, the demand slightly increased, by 2% versus Q3/15.

As for the fiscal framework, please note that there were no changes during the third quarter. Tax on constructions was kept at 1%, and is set to be eliminated as of January 1<sup>st</sup> next year, as per the approved Fiscal Code. Supplementary taxation following gas price liberalization and the 0.5% tax on crude oil sales should apply until the end of 2016. VAT was reduced at the beginning of the year and it will be further reduced by 1 percentage point to 19% starting 1<sup>st</sup> of January 2017, according to the Fiscal Code. Also, the fuel excise duty is to be reduced as of 1<sup>st</sup> of January 2017. So there are a number of forthcoming measures envisaged for the next fiscal year. However, please be aware that no draft of the state budget is available at this moment, thus things might still be revised and we can't provide a final assessment yet.

Regarding upstream oil and gas taxation, nothing has changed since last quarter either. As member of the oil & gas producers' associations, we are included in the process of technical consultations with the authorities. However, for the time being, no draft of the new regulation has been made available for public consultations, therefore we cannot provide more details at this stage.





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

In the chart on the upper left, you can see, on the blue line that the USD was slightly stronger vs. the RON compared to Q3/15 and stable vs. Q2/16. In turn, the Urals, shown in green, had somewhat mixed trends: it hovered around 44 USD/bbl, but remained below the Q3/15 level of 50 USD/bbl.

On the upper right, the OMV Petrom refining margin indicator has been on a downward trend vs. both reference periods. There was a steep decline in margins from the peak level of around 10 USD/bbl in Q3/15 to around 6 USD/bbl in Q3/16, as lower product spreads were only partly offset by lower costs of crude. Compared to Q2/16, the negative impact mainly came from lower gasoline spreads.

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. The orange line shows the import gas price in Romania as published by ANRE, the market regulator, but official statistics are available only until April this year. The chart also shows, for reference, the average gas price on the gas hub in Austria, which was relatively stable in the last two quarters at 14-15 EUR/MWh.

Finally, on the lower right, you can see that power prices in Romania declined by some 20% vs. the high level in Q3/15 (when we had a hot summer and drought), but increased by approx. 15% vs. Q2/16.



# Financial performance 9m/16

Key financials in RON mn	9m/16	9m/15	Δ (%)
EBIT	1,134	1,315	(14)
Net income attributable to stockholders <sup>1</sup>	882	999	(12)
Clean CCS EBIT <sup>2</sup>	1,240	2,312	(46)
Clean CCS net income attributable to stockholders <sup>1,2,3</sup>	899	1,733	(48)
Clean CCS Earnings Per Share (RON) <sup>2,3</sup>	0.0159	0.0306	(48)
Cash flow from operating activities	3,384	4,179	(19)
Free cash flow before dividends	1,127	296	280
Free cash flow after dividends	1,126	(333)	n.m.

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

After deducting not result attributable to non-controlling interests; \* Clean CCS figures exclude special items and inventory holding effects (CCS effects) resulting from Downstream Oil; \* Excludes additional special income of RON 67 mn from clearance of a legal discuste and reflected in the financial result

7 OMV Petrom results Q3/16

**OMV Petrom** 

On slide number 7, I will highlight only the key figures for 9m/16, while, later on, Andreas will present the Q3/16 results in more detail.

In the first nine months of 2016, our reported EBIT was RON 1.13 billion, which we consider a good performance given the challenging industry environment. The reported net profit attributable to stockholders amounted to RON 882 million and followed a similar trend as the reported EBIT.

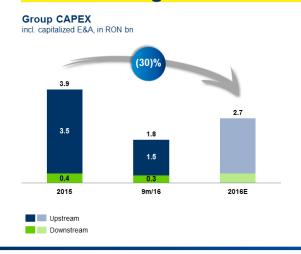
Clean CCS EBIT declined by 46% to RON 1.24 billion vs. 9m/15, on the back of weaker Upstream and Downstream Oil results. These were adversely impacted by lower oil and gas prices as well as weaker refining margins, partly compensated by the improved Downstream Gas result.

Clean CCS net income attributable to stockholders was RON 899 million, 48% lower yoy, as in addition to lower Clean CCS EBIT, in 9m/16 we recorded a higher net financial loss due to lower interest income.

A major achievement in this difficult market context is our free cash flow that increased to RON 1.1 billion vs. around RON 300 million in 9m/15, deriving from OPEX and CAPEX reductions (9m/15 included also dividend payments). As at the end of 6m/16 free cash flow stood at RON 12 million only, almost all free cash flow was generated in Q3/16. Andreas will elaborate and explain on the developments in Q3/16 later in his section.



#### 2016 CAPEX guidance reduced to RON 2.7 bn



CAPEX cuts mainly driven by focus on profitable barrels

- 9m/16 CAPEX down by RON 1.2 bn, -39% yoy
  - Upstream CAPEX down by RON 1.3 bn mainly on projects prioritization
  - Downstream CAPEX up by RON 125 mn mainly due to planned refinery turnaround
- 2016 CAPEX guidance reduced to RON 2.7 bn from RON 3.2 bn



8 OMV Petrom results Q3/16

**OMV Petrom** 

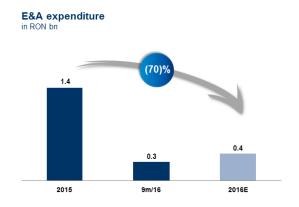
Slide 8 provides an overview of capital expenditure developments. In 9m/16, our CAPEX of approximately RON 1.8 billion, was down by almost 40% from the same period last year. The majority was dedicated to Upstream, mainly field redevelopments, workover activities and drilling development wells. But 9m/16 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 January 2016.

Capital expenditure in Downstream Oil was around RON 320 million in 9m/16. The amount included mainly the Petrobrazi refinery turnaround and works related to projects scheduled during the plants shutdown, performed in Q2/16.

Going forward, for the full year 2016 we expect OMV Petrom Group CAPEX to be around RON 2.7 billion, around 30% down year on year. We reduced our original guidance as our investments are continuously reviewed and prioritized, leading to a revaluation of the wells portfolio and implying lower estimates for development wells and FRDs.



## E&A spending further reduced in 2016



# 2016 E&A expenditure guidance reduced to RON 0.4 bn from previously RON 0.5 bn

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



**OMV Petrom** 

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 carried out by the joint venture with Repsol.

In 2016, we expect the E&A level to decrease to around RON 400 million, mainly as a result of finalizing the Neptun Deep drilling campaign in January and lower onshore seismic acquisition and processing this year. We reduced our guidance from RON 500 million mainly due to savings achieved within Neptun Deep drilling campaign and postponement of testing of an onshore well.

In Q4 we plan to start drilling two exploration wells, one onshore and one shallow water offshore.

Overall, as the CEO I am very encouraged by the resilience of our 9m/16 results, and I am particularly proud of the significant improvement of our free cash flow position and solid operational performance in all divisions and this in a 'lower for longer' oil price environment.

I now hand over to Andreas, who will go into greater detail of our financials for Q3/16.







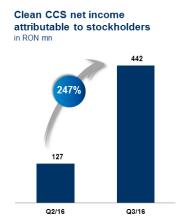
#### **OMV Petrom**

Thank you, Mariana, and good afternoon, ladies and gentlemen, also from my side. I am delighted to be able to report a resilient financial performance for the third quarter 2016.



#### **Income statement summary**

Clean CCS net income attributable to stockholders	442	127	247	820
thereof attributable to stockholders of the parent	473	118	302	(43)
thereof attributable to non-controlling interests	(0.4)	(1.1)	60	(2.8)
Net income	473	117	305	(46)
Taxes	(84)	(15)	(454)	3
Financial result	(16)	(86)	82	(83)
EBIT	573	218	163	34
in RON mn	<b>Q</b> 3/16	<b>Q</b> 2/16	Δ (%)	Q3/15



**P** 

11 OMV Petrom results Q3/16

**OMV Petrom** 

Let me start on page 11, with a summary of the Income statement. My focus will be on a comparison of Q3 vs. Q2/16 numbers. Reported EBIT significantly improved, in fact more than doubled to RON 573 million. EBIT was helped by higher sales, cost savings and lower exploration expenses. In Q3/16 we achieved improved reported EBIT contributions in Upstream and Downstream as well as a reversal of intersegmental profit elimination following declining crude oil inventories after completing the Petrobrazi turnaround in Q2/16.

The net financial result amounted to a loss of about RON 16 million, much lower than the RON 86 million loss in Q2/16, mainly as a result of a special income from the clearance of a legal dispute and net FX gains due to a weaker EUR vs. the RON.

We incurred RON 84 million tax expenses which are significantly higher than the RON 15 million in Q2. This is in line with the increase of our profit before tax, based on the operational development. As a result, we achieved a net income attributable to stockholders of RON 473 million on a reported basis and RON 442 million on a clean CCS basis, both substantially higher than in Q2/16.



#### Cash flow

in RON mn	Q3/16	Q2/16	Q3/15
Profit/(loss) before tax	557	132	(48)
Depreciation, amortization and net impairments	850	917	1,661
Net interest paid	(9)	(21)	(8)
Tax on profit paid	(28)	(25)	(179)
Other	(95)	1	67
Sources of funds	1,276	1,003	1,493
Change in net working capital	337	(120)	236
Cash flow from operating activities (CFO)	1,613	883	1,729
Cash flow from investing activities (CFI)	(498)	(753)	(1,009)
Decrease in borrowings	(36)	(59)	(266)
Dividends paid	(0)	(0)	(1)
Cash flow from financing activities (CFF)	(36)	(59)	(267)
Cash and equivalents at end of period	1,803	724	823
Free cash flow	1,115	130	720
Free cash flow after dividends	1,115	130	719



12 OMV Petrom results Q3/16

**OMV Petrom** 

I am delighted about the strong cash flow generation in Q3/16, which is shown at slide 12. We achieved about RON 1.6 billion operating cash flow, only by some RON 100 million lower compared to Q3 last year.

Compared to Q2/16, our operating cash flow almost doubled, primarily reflecting higher sales in Q3/16, which translated into a profit before tax of RON 557 million in Q3/16. We had positive developments in net working capital, mainly as a consequence of having the turnaround completed in Q2. In Q3/16 we cashed in approximately RON 100 million representing the reduction of the Competition Council fine as a result of a favorable court decision issued in Q1/16.

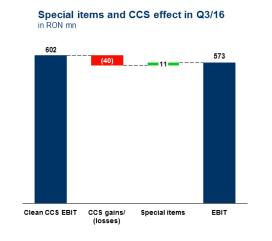
As far as cash outflow for investments is concerned, we continued to thoroughly scrutinize our investment projects. Therefore our total payments for investments amounted to RON 498 million in Q3/16 vs. RON 753 million in Q2/16. In Q3 last year, the cash outflow for investments amounted to around RON 1 billion, as our drilling campaign in the Neptun Block was still in full swing.

As a result, we generated a free cash flow of some RON 1.1 billion in Q3/16 vs. only RON 130 million in Q2/16. We are proud of exceeding our 2016 target, already at this time in the year, namely to be free cash flow neutral at an oil price of 40 USD/bbl (the 9m/16 Brent average price was at 42 USD/bbl).



## **Key financials**

in RON m	nn	Q3/16	<b>Q</b> 2/16	<b>Q</b> 3/15
Clean C	CS EBIT	602	229	1,061
Thereof	Upstream	193	210	416
	Downstream	393	135	503
	Thereof Downstream Oil	403	166	560
	Downstream Gas	(10)	(31)	(56)
	Corporate and Other	(19)	(8)	(23)
	Consolidation	36	(108)	164





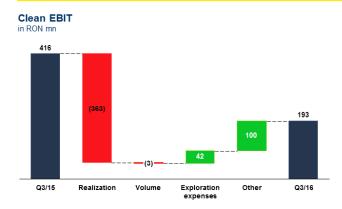
**OMV Petrom** 

I now move on to page 13 to provide you with the clean CCS EBIT breakdown by segments. Let me focus again on the comparison with the second quarter. The following pages will focus on comparing Q3/16 with Q3/15. In Q3/16 Upstream achieved a clean EBIT of RON 193 million, around 8% down vs Q2/16. This was based on lower gas prices and lower volumes, which were to a large extent but not completely compensated by savings in production costs and lower depreciation and impairments. Downstream overall came in at RON 393 million versus RON 135 million in the second quarter. You can see that the contribution from Downstream Oil was particularly strong versus Q2, as a result of a significant increase of the utilization rate following the completion of the Petrobrazi refinery turnaround. Also, a 16% seasonal increase in retail sales volumes helped to offset the decline in refining margins. In Downstream Gas, we had higher gas sales volumes supported by integration with the Brazi power plant, which generated significantly higher output in Q3/16 in the context of improved spark spreads.

The chart on the right bridges the Clean CCS EBIT to EBIT for Q3/16. From the Clean CCS EBIT of RON 602 million, inventory holding losses of RON 40 million are deducted and a small net special gain amounting to RON 11 million is added to result in a reported EBIT of RON 573 million.



### **Upstream – Clean EBIT impacted by lower prices**



#### Q3/16 vs. Q3/15

- Realized oil price in USD/bbl down by 16%; Q3/15 included hedging effect of RON 84 mn
- ▶ Group hydrocarbon production almost flat
- Decreased exploration expenses due to lower activity in Neptun block
- Other: lower production cost, royalties and depreciation



**OMV Petrom** 

Let me move on to page 14 which shows the bridge of the Upstream clean EBIT from Q3 last year to Q3 this year. With the realized oil price decreasing by around 16% year-on-year to approximately 37 USD/bbl in this quarter, our operational performance was impacted quite substantially. As you can see from the chart, there was a negative realization effect of approximately RON 360 million, while Q3/15 also included a hedging gain of RON 84 million.

Hydrocarbon production was almost flat, resulting in a negligible volume effect.

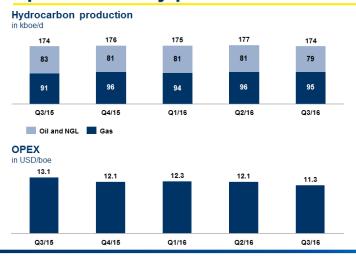
Exploration expenses were lower by RON 42 million, as Q3/15 reflected the drilling campaign in the Black Sea Neptun block.

Other positive developments include the following: first, we achieved a decrease in production costs, as a result of our ongoing efforts to manage costs, which I'll comment on the next page; second, royalties in Q3/16 were lower, following the oil and gas price declines; and third, depreciation decreased due to the impairments booked in 2015.

As a result Q3/16 Clean EBIT amounted to RON 193 million.



#### **Upstream – Key performance indicators**



#### Q3/16 vs. Q3/15

- Total hydrocarbon production stable due to higher production in Romania:
  - low base effect works at Totea Deep in Q3/15
  - additional production from Lebada Est NAG, commissioned in Q2/16
- OPEX in USD/boe decreased by 14% due to:
  - lower services, personnel and materials costs



**OMV Petrom** 

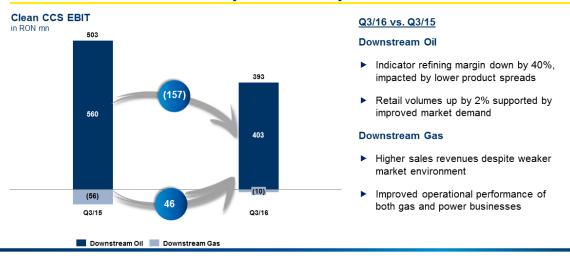
Looking at page 15, hydrocarbon production was almost flat in Q3/16 vs. Q3/15. This is due to two main factors: first, a low base effect, as in Q3/15 we performed planned workovers and surface works in Totea Deep; second, Q3/16 benefitted from additional production from the Lebada Est NAG, commissioned in Q2/16.

Compared to Q2/16, hydrocarbon production decreased, mainly due to natural decline. This was only partially compensated by the workover results and the contribution from Lebada Est NAG project mentioned earlier.

As a major priority, we continue to strictly manage our OPEX. In Q3/16, our efforts led to an average production cost of 11.3 USD/bbl, which is 14% lower compared to Q3/15. This is a decrease of almost 2 USD/bbl. There were no major foreign exchange effects included in this decrease, so it is mainly related to reductions and cost savings in services, personnel and material costs.



## **Downstream – Good operational performance**



Page 16 shows that the contribution of Downstream Oil and Downstream Gas together was lower in Q3/16 versus Q3/15. Downstream Oil came in lower by some RON 160 million, which is due to the drop in refining margins as a result of lower product spreads.

Our retail sales volumes, as Mariana had pointed out earlier, were higher by 2% compared to last year, which supported our performance.

Downstream Gas results are higher compared to last year, by some RON 50 million, thanks to the very good operational performance, which translated into higher segment revenues. And this was achieved in an overall weaker market environment compared to  $\Omega$ 3/15.



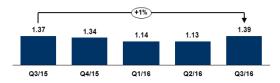
**OMV Petrom** 

16 OMV Petrom results Q3/16

# **Downstream Oil – Key performance indicators**



#### Group refined product sales volumes



#### Q3/16 vs. Q3/15

- ▶ Refinery utilization rate up to 97%
- Fuel and losses below 9%
- Improved total refined product sales volumes due to higher retail sales by 2%

17 OMV Petrom results Q3/16

**OMV Petrom** 

Looking at Downstream Oil key performance indicators on page 17, the utilization rate of our refinery increased by 3 percentage points versus Q3/15 and was significantly higher versus Q2/16, when the turnaround took place. After the turnaround, the refinery had a very strong performance and we successfully achieved a reduction of fuels and losses, which were below 9%.

The chart below shows higher refined product sales volumes which were supported by the higher retail sales volumes mentioned earlier. Here I want to point out that, until end-2015, the retail sales figures also included wholesales in the Republic of Moldova. On a comparable basis, Group retail sales volumes would have increased by 5% yoy.



### **Downstream Gas – Key performance indicators**



Q1/16 <sup>1</sup> Including internal transfers within OMV Petrom (e.g. Brazi power plant); <sup>2</sup> Company estimation

Q2/16

Q3/16

#### Q3/16 vs. Q3/15

- ▶ Higher gas sales volumes, despite the 6% drop in national demand2 and increased imports
- Higher power output, benefitting from improved portfolio optimization

18 OMV Petrom results Q3/16

Q3/15

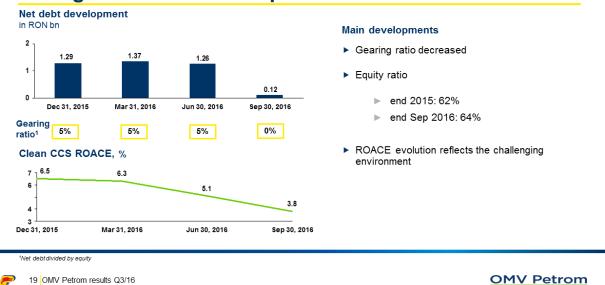
Q4/15

**OMV Petrom** 

Moving to Downstream Gas key performance indicators on page 18, you can notice the increase in both gas and power volumes. In Gas, we managed to achieve an increase of sales volumes to 11.4 TWh vs. 10.8 TWh in Q3/15 supported by higher sales towards end customers and regulated market. This was obtained in the context of an estimated 6% drop of national consumption. A 7% increase in electrical output, to 1.2 TWh, was achieved through the forward positions we built for the summer in the power market, combined with sales on the spot market, in order to best capture market opportunities.



### Strong balance sheet despite difficult market conditions



Benefitting from our strong cash flow generation, we achieved reducing our net debt position of around RON 1.3 billion during the past three quarters to almost zero in Q3/16. Consequently our gearing ratio also improved to almost zero, down from around 5% in previous quarters. We continue aiming to preserve a low-gearing ratio, in order to keep our financial flexibility for future investments, particularly for the potential investment in the Black Sea.

Our equity ratio at the end of Q3/16 amounted to 64% compared 62% at the end of last year. This two percentage points' increase is a result of net profit generated in the first 9 months of the year.

Overall our clean CCS ROACE at the end of Q3/16, which we as usual calculate on a rolling basis covering the last four quarters, stood at close to 4%. This reflects the challenges and the downturn in the market environment. We certainly remain committed to work towards improving our profitability in the future.



#### Outlook 2016

▶ **Oil price**: Brent annual average estimated at USD 44/bbl

▶ Refining margins: Q4/16 expected to be above Q3/16 level

► Fuels market: Demand supported by low oil prices and increased private

consumption; higher competition

► Gas market: Demand to be lower; imports to increase; prices to reflect strong

competition

Power market: Demand relatively stable, improved spark spreads

► CAPEX: EUR 0.6 bn, with ~85% in Upstream

Production: Decline up to 4%, driven by lower investments and planned surface

facilities upgrade at Totea Deep

▶ **Dividend¹**: Target a dividend from the 2016 net earnings of a minimum of 30%²

1subject to adverse developments in the external market 2in the case it is fully covered by the free cash flows before dividend



20 OMV Petrom results Q3/16

**OMV Petrom** 

My last page, page 20, covers the outlook for 2016.

For the Brent oil price we revised our assumption to USD 44/bbl for the full-year 2016, up from our previous guidance of USD 40/bbl.

Based on the recent developments, we expect the Q4/16 refining margins to be somewhat higher compared to Q3/16.

As far as the fuels markets and the demand for fuel products are concerned, we believe that the demand is still supported by low oil prices and increased private consumption as a result of fiscal easing measures implemented earlier this year.

Gas demand for 2016 is expected to be below the previous year's level. At the same time we assume the volume of import gas to increase further. Consequently, prices will reflect stronger competition. On the other hand, we assume electricity consumption for the full year to remain pretty stable vs. 2015, with somewhat improved spark spreads as a result of the gas price environment.

We are reducing our 2016 CAPEX (including capitalized exploration and appraisal) guidance by EUR 100 million to approx. EUR 600 million. Continued focus on the most profitable barrels is mostly driving this guidance reduction. As in the past, some 85% of the overall CAPEX will be dedicated to Upstream. The main investment categories continue to be drilling and workover activities as well as field redevelopment projects.

As far as hydrocarbon production is concerned, we maintain our guidance of a decline of up to 4% for the full year 2016. We have maintenance works at key wells (Totea Deep), thus we need to shut down production for some time and this will impact the full year numbers. Nevertheless we continue our efforts to restrict the production decline to the minimum possible.

Last but not least, in September 2016 we updated our dividend policy providing details in respect of the 2016 fiscal year. We set a target dividend from 2016 earnings of minimum 30%, provided that it is fully covered by the free cash flow before dividends and no adverse developments in external markets will occur.

Thank you very much and we are now ready to answer any questions you might have.







**OMV Petrom** 



#### **Contact Investor Relations**



#### **OMV Petrom Investor Relations**

Tel.: +40 372 161 930

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

Homepage: www.omvpetrom.com



#### 2017 Financial Calendar

February 16: Q4 and FY 2016 results

April 25: Annual General Meeting of Shareholders

May 11: Q1 2017 results

August 10: Q2 and HY 2017 results

November 9: Q3 2017 results



22 OMV Petrom results Q3/16

**OMV Petrom** 

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 fourth quarter will be released on February 16. Until then, I wish you all the best. Good bye!

