OMV Petrom

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The spoken word applies. Check against delivery.

Mariana Gheorghe - OMV Petrom - CEO

Slide 1 – Intro

Good afternoon, ladies and gentlemen, and a warm welcome from my side.

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Slide 2 – Legal Disclaimer

Before we start the actual presentation, please let me draw your attention to our Legal Disclaimer, which you can read in detail on slide 2.

Key messages Q3/17

Free cash flow of RON 959 mn

Clean CCS Operating Result at RON 1.04 bn

Clean CCS EPS up 76% yoy

9m/17 **LTIR** at 0.17 (9m/16: 0.23)

Upstream: production 166 kboe/d; OPEX 10.2 USD/boe

Downstream Oil: refining margins up USD 2.8/bbl yoy; retail sales volumes +7% yoy

Downstream Gas: gas sales volumes to 3rd parties +2% yoy

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Slide 3 – Key messages Q3/17

Moving to slide 3, let me start with some key highlights for Q3/17. We enjoyed another quarter of strong macroeconomic fundamentals, particularly in Romania, which translated into higher demand for our products. Market conditions in a broader sense were also supportive, with increased oil, gas and electricity prices, as well as very strong refining margins. As a result, we generated **free cash flow after dividends** of around RON 960 million and reported a net cash position of around RON 2.3 billion.

Our **Clean CCS Operating Result** went up 72% year-on-year to around RON 1 billion, with Downstream contributing approximately 60% of the total.

Our strong operational performance was partly offset by higher net financial losses and taxes on income; nevertheless, our **Clean CCS EPS** was up by 76% compared to Q3/16. Stefan will take you through more details on the financials later in the presentation.

Briefly on **business segments**, we had a declining production, but also lower OPEX in Upstream. Our Downstream Oil business enjoyed another quarter with very strong refining margins; but we had also seasonally-driven growth in retail sales volumes. In Downstream Gas, we achieved a slight increase in gas sales volumes to third parties.

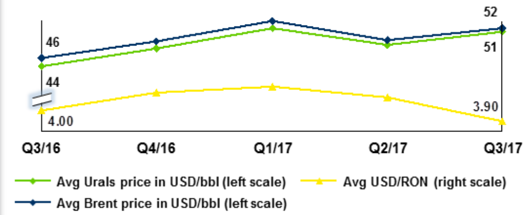
As for the **lost time injury rate**, I am particularly proud to report that this reached 0.17 in 9m/17 and compares positively with both our performance last year and the industry standards.

Economic environment

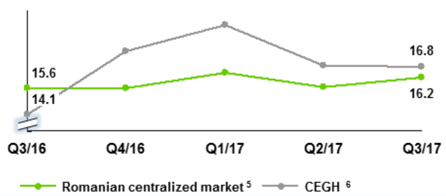
Romania

- Q2/17 **GDP growth**[1]**:** 5.9% yoy
- **Demand Q3/17 yoy:** Fuels[2]: 9%; Gas[3]: (2)%; Power[4]: 10%
- **Regulatory discussions** on gas in progress
- Progress on **royalty regime**, for both onshore and offshore activities

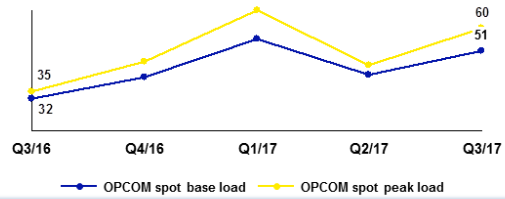
Oil price (USD/bbl) and FX (USD/RON)



Gas prices (EUR/MWh)



Power prices in Romania (EUR/MWh)



[1] Romanian National Institute of Statistics; [2] Fuels refer only to retail diesel and gasoline; [3] According to company estimates; [4] According to preliminary data available from the grid operator; [5] Prices estimated by OMV Petrom based on available public information; all transactions concluded in the respective quarter irrespective of delivery period and product type; [6] Central European Gas Hub

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Slide 4 – Economic environment

On slide 4, we provide some **macroeconomic highlights** on Romania and an overview of the pricing environment in our industry. Romania had another quarter of solid economic performance: with impressive year-on-year GDP growth, though possible fragile given stimulative fiscal measures and the growing government deficit.

Looking at the **Romanian energy sector**, we can see that **market demand** for most of our products has further improved in Q3/17. The demand for **fuels**, and here I refer only to retail diesel and gasoline sales, increased by around 9% year-on-year (with fiscal easing playing a key role). **Power** demand increased year-on-year, by around 10%, according to preliminary data available. This was mainly due to weather conditions (hot summer). In turn, the demand for **gas** slightly decreased.

On the regulatory front, we are watching closely the proposed amendments to the mandatory quota of gas to be traded on the centralized platforms, as well as changes to the supplementary taxation of revenues from gas price liberalization.

There are also a number of recent regulatory changes in various stages of approval and implementation. We refer here to the Offshore Law and the Royalties Law. The government approved on October 11 the draft Offshore Law, covering operational and taxation topics; the law is in the process of being approved by Parliament. On October 23, the government published the draft Royalties Law; the public consultation phase for this law was recently completed.

Let me also provide you with an overview of the **pricing environment** in our industry.

In the chart on the upper right, you can see on the yellow line that in Q3/17 the **USD was weaker versus the RON** by some 2% compared to Q3/16. As for the **Urals**, shown in green, the average for Q3/17 was USD 51.4/bbl, higher year-on-year by 16%. A similar trend can be seen for **Brent**, shown by the blue line.

At the lower left, the chart shows, in green, the **gas price on the centralized market**, which averaged RON 74.4/MWh or EUR 16.2/MWh for the transactions closed in Q3/17 (10.7 TWh) with delivery until end-

Q3/18. Please note that prices on centralized platforms could include storage related tariffs in connection with gas volumes sold/extracted from storage. The grey line, for reference, shows the **average gas price on the hub in Austria**, which, at EUR 16.8/MWh, was higher by some 20% versus Q3/16, but similar to Q2/17.

Finally, on the lower right, you can see that the base load **power prices** in Romania were up significantly by 57% year-on-year. This was due to a variety of reasons, the most important being low hydro power production.

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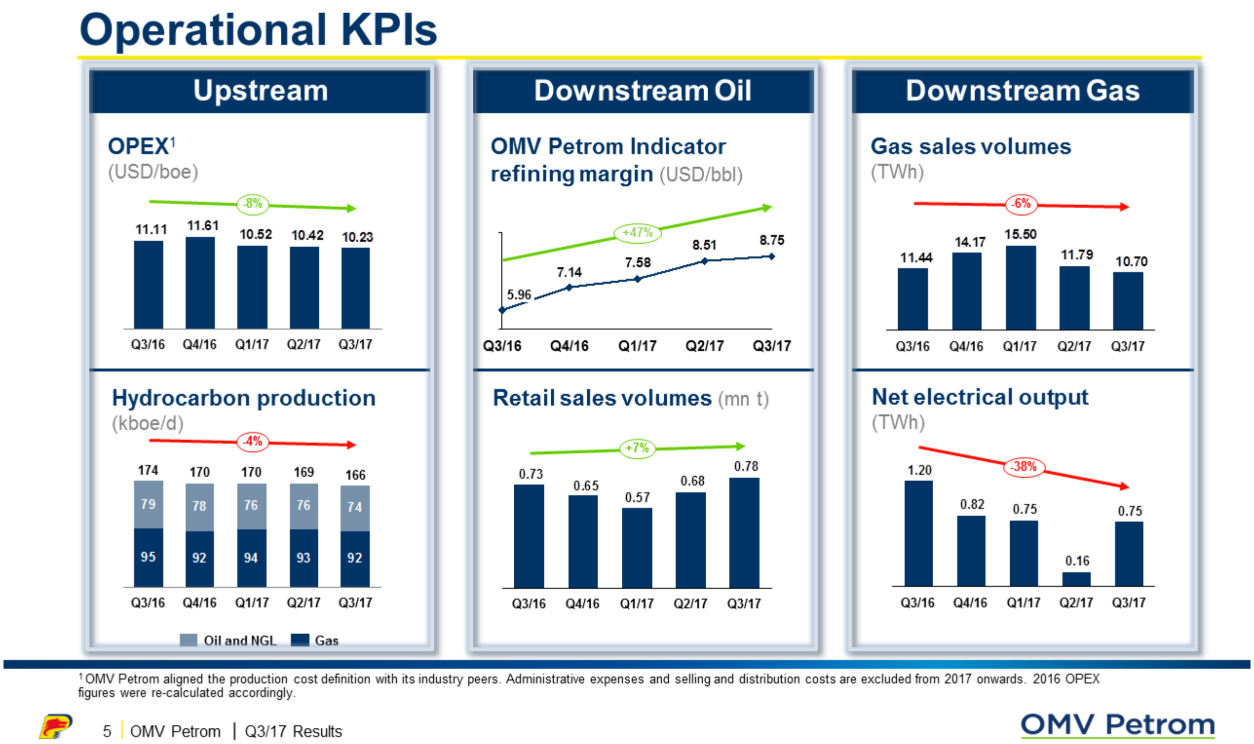
Operational KPIs
Upstream
OPEX1
(USD/boe)
-8%
11.11 11.61 10.52 10.42 10.23
Q3/16 Q4/16 Q1/17 Q2/17 Q3/17
Hydrocarbon production
(kboe/d)
-4%
174 170 170 169 166
79 78 76 76 74
95 92 94 93 92
Q3/16 Q4/16 Q1/17 Q2/17 Q3/17
Oil and NGL
Gas
Downstream Oil
OMV Petrom Indicator refining margin (USD/bbl)
+47%
5.96 7.14 7.58 8.51 8.75
Q3/16 Q4/16 Q1/17 Q2/17 Q3/17
Retail sales volumes (mn t)
+7%
0.73 0.65 0.57 0.68 0.78
Q3/16 Q4/16 Q1/17 Q2/17 Q3/17
Downstream Gas
Gas sales volumes
(TWh)
-6%
11.44 14.17 15.50 11.79 10.70
Q3/16 Q4/16 Q1/17 Q2/17 Q3/17
Net electrical output
(TWh)
-38%
1.20 0.82 0.75 0.16 0.75
Q3/16 Q4/16 Q1/17 Q2/17 Q3/17
1 OMV Petrom aligned the production cost definition with its industry peers. Administrative expenses and selling and distribution costs are excluded from 2017 onwards. 2016 OPEX figures were re-calculated accordingly.
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Slide 5 – Operational KPIs

And now on slide 5, I would like to present to you some operational KPIs for each business segment.

Let me start with **Upstream**. As a priority, we continue to apply strict cost discipline on our OPEX. In Q3/17, **average unit production costs** decreased due to the abolition of the tax on special constructions, but also our continuous efficiency efforts, including personnel expenses and services and material costs reductions. The unfavorable impact came from lower production volumes and FX evolution. We reached a level of USD 10.23/bbl, which was lower by 8% compared to Q3/16.

Hydrocarbon daily production was down by 4% in Q3/17 versus Q3/16. The decrease was mainly due to natural decline, marginal fields' divestment and key well intervention in Kazakhstan.

Continuing with **Downstream Oil KPIs**, briefly, we had the benefit of very strong refining margins and increased sales of diesel and gasoline, mostly in retail in Romania.

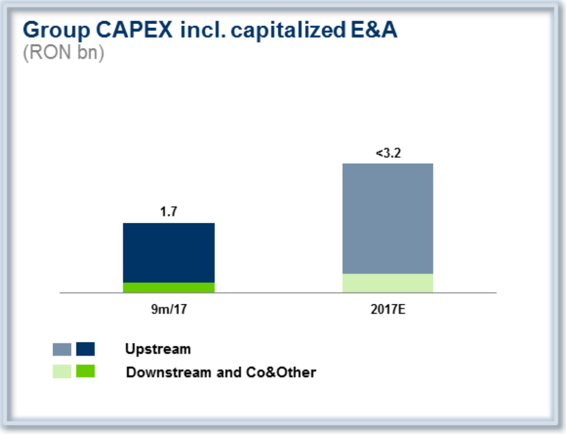
OMV Petrom's refining margin indicator increased by 47% year-on-year to USD 8.75/bbl in Q3/17. This increase was driven by strong product quotations, mainly for diesel and jet fuel, which fully offset the higher cost of crude consumed.

Our **refined product sales** increased year-on-year by 1%. We had an increase in **retail sales** volumes by 7%, supported by higher demand in all our countries of operations. The growth was particularly strong in Romania, our main market, following fiscal easing measures implemented at the beginning of 2017. The recent increases in excises mid-September and October 1, by RON 0.16/liter each, are yet to show their effects. The Q3/17 **non-retail sales volumes** decreased by 6% year-on-year, as we continued our focus on optimizing our sales channels.

As to **Downstream Gas**, our portfolio optimization initiatives led to higher gas sales volumes to third parties, however total sales volumes declined by 6% year-on-year. This occurred in the context of a lower off-take by the Brazi power plant, online only at half capacity, which also explains the 38% year-on-year decrease of net electrical output.

On the centralized markets, we sold 2.2 TWh of gas in Q3/17, with delivery until end-Q3/18, at an average price in line with the market price.

CAPEX and E&A



CAPEX incl. capitalized E&A

- 9m/17 at RON 1.7 bn:
  - 39 wells and sidetracks drilled
  - ~700 workovers
  - FRDs: 5 in development, 7 under appraisal
- **2017E**:
  - drilling ~70 development wells and sidetracks
  - workovers ~1,000
  - selected FRDs

E&A

- Three wells spudded (thereof 2 finalized) in 9m/17

Slide 6 – CAPEX and E&A

Slide 6 provides an overview of CAPEX and E&A activities. In 9m/17, our total **CAPEX** was around RON 1.7 billion. The majority was dedicated to Upstream. It included drilling of 39 wells, around 700 workover jobs and project activities on 12 FRDs (5 in development phase and 7 under appraisal). The 9m/17 CAPEX was impacted by first half of the year's adverse weather conditions, the reassessment of our wells' portfolio and delays in permitting. Nevertheless, in Q3/17 the number of wells drilled doubled compared to Q2/17 and we also started an offshore shallow water drilling campaign.

In Q4/17 and further on, we will intensify drilling – as of the beginning of November, we had 14 active rigs, compared to 3 rigs at the end of Q2/17. We will drill around 70 wells in 2017, weather permitting. In addition, we will carry out around 1,000 workovers and continue to invest in selected FRDs. We expect our **CAPEX** for the whole year to remain below EUR 0.7 billion or RON 3.2 billion.

Regarding **exploration activities**, our plans for the year 2017 include spudding of 8 wells, onshore and shallow offshore. These wells will be drilled by OMV Petrom (100%) or together with our joint venture partners, Hunt Oil and Repsol.

Given the 9m/17 **E&A activities**, we currently expect this year's exploration expenditure to be below RON 300 million.

Let me now hand over to Stefan, who will go into greater details of our financials and provide you with the outlook for 2017.

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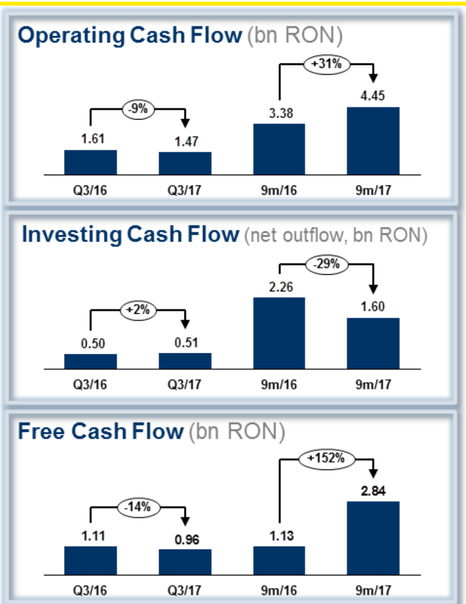
Cash Flow highlights



- Q3/17 OCF[1] down due to unfavorable NWC[2] development
- 9m/17 OCF up due to higher revenues and Operating Result

- 9m/17 CAPEX slightly lower (-5%) than in 9m/16
- 9m/16 CFI[3] higher due to payments related to 2015 CAPEX

- 9m/17 FCF[4] higher 2.5 times yoy
- Dividend payment of RON 0.8 bn included in 9m/17
- 9m/17 FCF after dividends up 78%

[1] Operating Cash Flow; [2] Net Working Capital; [3] Investing Cash Flow; [4] Free Cash Flow

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Slide 8 – Cash Flow highlights

Thank you, Mariana, and good afternoon to you all.

On slide 8, I would like to start with highlights of our cash flow statement. In Q3/17, we achieved an **operating cash flow** of about RON 1.5 billion, mainly on the back of strong operating profits. This, in turn, was supported by improved commodity prices and higher sales volumes of fuel products. Higher sales, together with our continued focus on efficiency improvements and cost discipline, resulted in an increase in operating cash flow to RON 4.45 billion in the first 9 months of 2017.

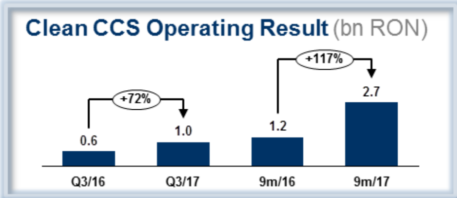
These positive developments were partly offset by unfavorable **net working capital** effects: here, we had a net cash outflow of RON 181 million in Q3/17 vs. a cash inflow of RON 337 million in the same period of last year.

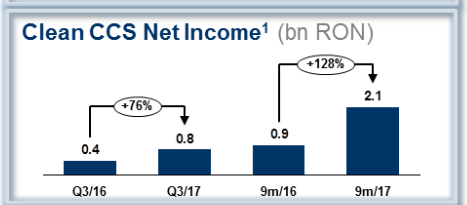
The Q3/17 net working capital development was mainly caused by higher inventories, generated by higher quantities of gas injected in storage and an increased value of fuels due to the increase in excise duties starting September 15. The negative impact of an increase in receivables was largely offset by a positive effect from increases in payables in Q3/17. The increase in receivables was due to the insurance claim in relation to the Brazi power plant, seasonally higher fuel sales and higher electricity sales following the resumption of operations at the power plant. The increase in payables was mainly due to higher purchases of crude and oil products from third parties.

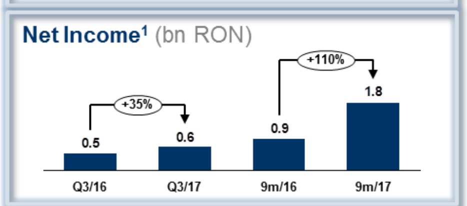
As to **cash flow from investing activities**, at RON 0.5 billion, the Q3/17 net outflow was relatively stable year-on-year. The 9m/17 net cash outflow from investments was RON 1.6 billion, 29% down year-on-year, as the 9m/16 figure included higher payments related to 2015 CAPEX. This is the main reason for a higher year-on-year reduction of the net cash outflow in 9m/17 compared to the 5% CAPEX decline.

To sum up, our **free cash flow** was nearly RON 1 billion in Q3/17 versus RON 1.1 billion in Q3/16, while the 9m/17 figure was 2.5 times higher year-on-year at RON 2.8 billion. After paying dividends for the 2016 fiscal year in Q2/17, our 9m/17 **free cash flow after dividends** reached RON 2 billion and our **net cash position** remained strong at around RON 2.3 billion as of end September.

Income Statement highlights







- Q3/17 Clean CCS Operating Result reflects:
  - favorable market conditions (prices, demand)
  - insurance revenues related to power segment
  - lower OPEX, offsetting lower Upstream production
- Q3/17 Clean CCS Net Income higher, however impacted by financial loss:
  - FX effect on EUR bank loans
  - Q3/16 included special income from the settlement of a legal dispute
- Q3/17 Net Income includes:
  - special charges
  - CCS effects

[1] Attributable to stockholders of the parent

Slide 9 – Income Statement highlights

On slide 9, I would like to discuss some Income Statement highlights, with a special focus on Q3/17 vs. Q3/16 developments.

Sales increased by 10% year-on-year, supported by higher commodity prices and increased fuel sales volumes, which was partly offset by lower sales volumes of natural gas and electricity.

The Q3/17 **Clean CCS Operating Result** increased by 72% year-on-year, while the **Reported Operating Result** was up by 52%. Both were also driven by strict cost management measures and the elimination of the tax on special constructions starting in January 2017.

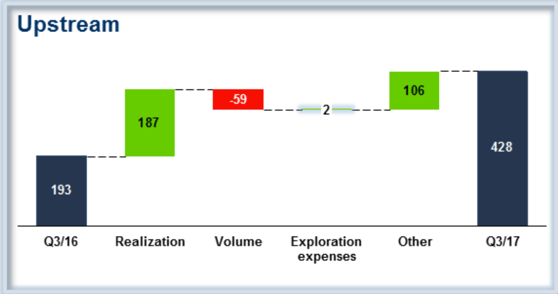
I will detail the Operating Results by main business segments in the following slide. Let me say here only that we benefitted from better market conditions, i.e. improved commodity prices in **Upstream,** higher demand for fuels and excellent refining margins in **Downstream Oil**, as well as strong spark spreads in **Downstream Gas**.

Special items comprise net charges of RON (173) million, mainly due to the reassessment of receivables and provisions. For comparison, in Q3/16 we had a net special income of RON 11 million. The **Reported Operating Result** includes also **inventory holding gains** of RON 5 million vs. a RON 40 million loss in Q3/16.

The **net financial loss** increased year-on-year to RON (111) million, reflecting the special income from the settlement of a legal dispute booked in Q3/16 and the negative effect of exchange rates evolution in relation to bank loans denominated in EUR.

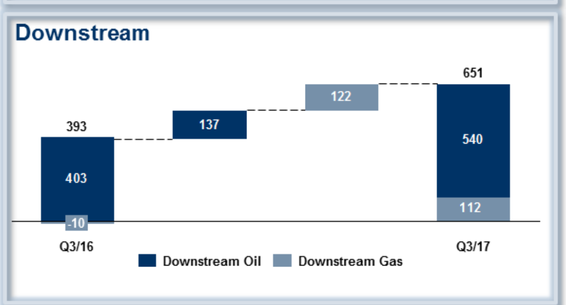
As a result, the **net profit attributable to stockholders** increased by 35% year-on-year on a reported basis and by 76% on a Clean CCS basis. The Q3/17 EPS was 0.0113 RON.

Clean CCS Operating Result (RON mn)



Key drivers Q3/17 vs. Q3/16

- Higher realized prices
- Decreased production costs and depreciation
- Sales volumes -3%



- Strong refining margins and retail sales
- Improved power business performance
- RON 80 mn estimated insurance revenues related to Brazi power plant

Slide 10 – Clean CCS Operating Result

Let me move on to page 10, which shows the development of the Clean CCS Operating Result by segment over the last 12 months.

Let me start with **Upstream** in the upper chart. With the **realized oil price** increasing by around 18% year-on-year to USD 44/bbl in Q3/17, there was a positive realization effect of RON 187 million.

Hydrocarbon sales were 3% lower, resulting in a negative volume effect of RON 59 million.

Other positive developments include a decrease in **unit production costs**, as already highlighted by Mariana, while **depreciation** decreased due to the 2016 year-end reserves' revision.

As a result, the Q3/17 Upstream **Clean Operating Result** more than doubled year-on-year to RON 428 million.

The Q3/17 Clean CCS Operating Result of the Downstream segment overall increased by 66%, reflecting the improved contribution of both segments. We had a higher contribution of **Downstream Oil** in Q3/17 versus Q3/16, mainly as a reflection of the very strong refining environment. We also achieved higher segment sales, up 12% year-on-year, as a result of improved demand for our products, mainly in retail.

In **Downstream Gas**, we improved our power activity results on the back of strong spark spreads. We also benefitted from the RON 80 million estimated insurance revenues related to the Brazi power plant, on top of the RON 73 million booked in Q2/17.

Outlook 2017

Indicators	Actual 2016	Assumptions/Targets
Brent oil price	USD 43.7/bbl	USD 52/bbl
Refining margin	USD 6.98/bbl	> USD 7/bbl
Production	174 kboe/d	~ (3)% yoy[2]
CAPEX	EUR 0.6 bn	< EUR 0.7 bn
FCF after dividends[1]	RON 1.56 bn	positive

[1] No dividends paid in 2016; [2] Not including portfolio optimization initiatives

Slide 11 – Outlook 2017

Let me finish the presentation with the outlook for the full year 2017, on page 11. Here I would like to highlight our main market assumptions as well as the targets we have set for 2017 and how they compare to the actual 2016 figures.

First of all, we maintain the full-year 2017 **average Brent oil price** estimate, at around USD 52/bbl.

Based on the strong 9m/17 developments, we now expect **refining margins** to be significantly higher year-on-year compared to an already strong USD 7/bbl margin in 2016.

We maintain our **daily average production** guidance of a decline at around 3% year-on-year from 174 kboe/day achieved in 2016. This is on a like-for-like basis, i.e. does not include portfolio optimization initiatives, such as the marginal fields' divestment already closed.

Our total 2017 **CAPEX** for the Group is estimated to remain below EUR 0.7 billion. Upstream CAPEX will continue to represent more than 80% of total investments.

Against the backdrop of our 9m/17 results as well as favorable commodity prices and continued cost savings, we expect to achieve a **positive free cash flow after dividends** (for comparison, we achieved RON 1.56 billion in 2016). While maintaining a strong balance sheet in 2017, we are in a good position to ramp up investments, including in large projects, such as Neptun Deep. We remain committed to offer an attractive dividend to our shareholders.

With this we finish our presentation and we are now available for your questions.

Q&A

Backup

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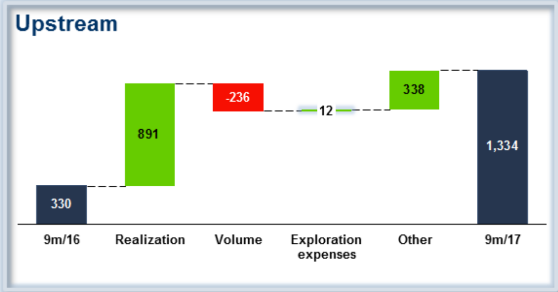
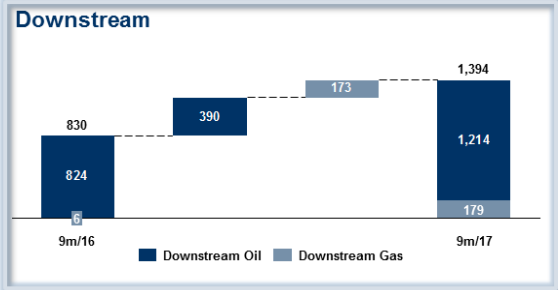
Clean CCS Operating Result (RON mn)





Key drivers 9m/17 vs. 9m/16

- Realized oil price +30%
- Decreased production costs and depreciation
- Group sales -3%

- Improved Downstream Oil result: favourable market (prices, demand), cost optimisation
- Improved Downstream Gas result from both power and gas (higher volumes sold)
- RON 152 mn estimated insurance revenues related to Brazi power plant

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Slide 14 – Clean CCS Operating Result (9m/17)

This slide shows bridge charts for the Clean Operating Result by segments from 9m/16 to 9m/17.

Let me start with **Upstream** at the upper chart where the improvement was mainly supported by higher realization. With the realized oil price increasing by around 30% year-on-year to USD 43.6/bbl in 9m/17 and a positive FX impact, there was a positive realization effect of RON 891 million.

Hydrocarbon sales were 3% lower, resulting in a negative volume effect of RON 236 million.

Exploration expenses were lower by 46% year-on-year, as 9m/16 was impacted by higher impairments of exploration assets.

Other positive developments include a decrease in unit production costs, as already highlighted by Mariana, while depreciation decreased due to the 2016 year-end reserves' revision and lower impairments.

As a result, the 9m/17 Upstream Clean Operating Result amounted to RON 1,334 million.

The 9m/17 Clean CCS Operating Result of the **Downstream segment overall** increased by 68%, reflecting the improved contribution of both segments. We had a higher contribution of **Downstream Oil** in 9m/17 versus 9m/16 mainly as a reflection of strong refining environment and higher segment sales, up 23% year-on-year, as a result of improved demand for our products, mainly in retail.

In **Downstream Gas**, we recorded higher segment sales, as a result of higher sales volumes for both gas and power and improved power results on the back of better market conditions. We also benefitted from RON 152 million estimated insurance revenues related to the Brazi power plant.