OMV Petrom Factsheet

May 3, 2018

Highlights Q1/18

- **Clean CCS Operating Result at RON 958 mn, up 25% yoy**
- **EPS at RON 0.0151, 38% higher yoy**
- **Free cash flow at RON 729 mn, up 13% yoy**
- **Clean CCS ROACE at 10.5%**

Financial highlights

Q1/18	Q4/17	Q1/17	Δ% [1]	in RON mn	2017
4,875	5,142	4,653	5	Sales [2]	19,435
958	**573**	**767**	**25**	**Clean CCS Operating Result** [3]	**3,273**
645	340	460	40	Clean Operating Result Upstream [3, 4]	1,674
321	360	311	3	Clean CCS Operating Result Downstream [3]	1,753
(22)	(28)	(21)	(3)	Clean Operating Result Co&O [3]	(74)
14	(99)	17	(16)	Consolidation	(80)
16	1	17	(4)	Clean Group effective tax rate (%)	14
752	434	586	28	Clean CCS net income [3,7]	2,487
752	**434**	**586**	**28**	**Clean CCS net income attributable to stockholders** [3,6,7]	**2,488**
0.0133	0.0077	0.0103	28	Clean CCS EPS (RON) [3,6,7]	0.0439
958	**573**	**767**	**25**	**Clean CCS Operating Result** [3]	**3,273**
71	**145**	**5**	**n.m.**	**Special items** [5]	**(105)**
50	103	26	90	CCS effects: Inventory holding gains/(losses)	102
1,080	**820**	**798**	**35**	**Operating Result Group**	**3,270**
632	442	471	34	Operating Result Upstream [4]	1,661
447	540	322	39	Operating Result Downstream	1,768
(22)	(28)	(21)	(2)	Operating Result Co&O	(76)
23	(134)	26	(12)	Consolidation	(82)
(63)	(134)	(56)	(11)	Net financial result	(366)
1,017	686	742	37	Profit before tax	2,904
16	6	17	(4)	Group effective tax rate (%)	14
854	642	618	38	Net income	2,489
854	**642**	**619**	**38**	**Net income attributable to stockholders** [6]	**2,491**
0.0151	0.0113	0.0109	38	Earnings Per Share (RON) [6]	0.0440
-	-	-	n.a.	Dividend/share (RON)	0.020
1,796	1,508	1,262	42	Cash flow from operating activities	5,954
729	664	646	13	Free cash flow after dividends	2,666
(3,626)	(2,897)	(872)	(316)	Net debt/(cash)	(2,897)
843	1,246	353	139	Capital expenditure	2,969
10.5	9.8	5.5	91	Clean CCS ROACE (%) [3, 7]	9.8
10.8	9.9	5.3	103	ROACE (%)	9.9
13,606	13,790	14,532	(6)	OMV Petrom Group employees at period end	13,790

Figures in this and the following tables may not add up due to rounding differences.
[1] Q1/18 vs. Q1/17;
[2] Sales excluding petroleum excise tax;
[3] Adjusted for exceptional, non-recurring items; Clean CCS figures exclude special items and inventory holding effects (CCS effects) resulting from Downstream Oil; special items include temporary effects from commodity hedging (in order to mitigate Income Statement volatility);
[4] Excluding intersegmental profit elimination shown in the line "Consolidation";
[5] Special items, representing exceptional, non-recurring items, are added back or deducted from the Operating Result; for more details please refer to each specific segment;
[6] After deducting net result attributable to non-controlling interests;
[7] Excludes additional special income from a legal dispute reflected in the financial result;
Throughout the report, where not specified differently, amounts related to Downstream represent totals of Downstream Oil and Downstream Gas.

Outlook for the full year 2018

Market, regulatory and fiscal environment

- For the full year 2018, OMV Petrom expects the **average Brent oil price** to be at USD 68/bbl (revised up from USD 60/bbl).The Brent-Urals spread is anticipated to widen compared to 2017;
- **Refining margins** are expected to be below the 2017 level;
- Growing private consumption in Romania is estimated to support the **demand for oil products**;
- In Romania, we expect a broadly similar **demand for gas and power** as compared to 2017;
- **Taxation and royalties:**

  A stable, predictable and investment-friendly fiscal and regulatory framework is a key requirement for our future investments, both onshore and offshore.

  - The Offshore Law is awaiting approval from the Chamber of Deputies;
  - A new draft Royalty Law is expected to be issued for public consultation this year;
  - Starting April 1, 2018, the tax on additional revenues obtained from gas price liberalization has been extended indefinitely and the tax rate has increased from 60% to 80% for realized gas prices higher than RON 85/MWh; the increase applies only to the difference between realized prices and RON 85/MWh.

OMV Petrom Group

- We expect to generate a **positive free cash flow after dividends** supported by the favorable commodity prices;
- **CAPEX** (including capitalized exploration and appraisal) is currently anticipated to be about RON 3.7 bn, of which around 75% in Upstream;
- **Neptun Deep:** final investment decision is expected in the second half of this year;
- We aim for a **sustainable cost base** supported by ongoing efficiency programs.

Upstream

- **Production:** manage decline at around 4% yoy, not including portfolio optimization initiatives;
- **Portfolio optimization:** continue to focus on most profitable barrels, further 50–60 fields to be divested;
- **Investments:** around RON 2.8 bn (excluding E&A), including more than 100 new wells and sidetracks, around 1,000 workovers and the Neptun Deep project;
- **Exploration:** exploration expenditures are estimated to be around RON 230 mn.

Downstream

- **The refinery utilization** rate is targeted to exceed 85%; this includes the impact of the planned six-week full-site turnaround scheduled for Q2/18;
- In Q2/18 we expect a negative impact on the **Clean CCS Operating Result** due to the planned refinery turnaround;
- Relatively similar **gas sales volumes** and higher **net electrical output** vs. 2017;
- **Six-week planned shutdown at the Brazi power plant** in Q2/18.

Business segments Q1/18 vs. Q1/17

Upstream

- **Strong Clean Operating Result supported by higher oil and gas prices**
- **Daily production decreased by around 5%, due to natural decline and one-time effects**
- **OPEX of USD 11.89/boe impacted by FX rate development**

The **Clean Operating Result** improved to RON 645 mn, mainly driven by higher prices, lower total production costs and exploration expenses, which were partly offset by FX effects (USD 11% weaker against RON), lower sales volumes, as well as higher royalties (due to higher prices and the change of gas reference price to CEGH – Central European Gas Hub).

The **Reported Operating Result** was impacted by special items, mainly related to personnel restructuring.

Group **production cost** (OPEX) in USD/boe was 13% higher than in Q1/17, mainly due to an FX impact and lower production available for sale. In Romania, production cost in USD/boe increased by 13% to USD 11.92 /boe, while in RON terms, stayed broadly stable at RON 45.14/boe, 1% above the Q1/17 level.

Group hydrocarbon production decreased by around 5% due to natural decline, the divestment of marginal fields, as well as the one-time effect of works and equipment replacement in the Totea – Hurezani area.

In **Romania**, daily hydrocarbon production was 155.6 kboe/d and total production amounted to 14.0 mn boe. Crude oil and NGL production in Romania was 6.1 mn bbl, 3% lower than in Q1/17. This mainly reflected natural decline and the marginal fields' divestment. Gas production in Romania was 7.94 mn boe, around 6% lower than Q1/17. This was mainly influenced by natural decline in the main gas fields, as well as the one-time effect of works and equipment replacement in the Totea – Hurezani area.

In **Kazakhstan**, total production amounted to 0.59 mn boe, 7% lower compared to Q1/17, mainly due to interventions at key wells and wells waiting for intervention.

In Q1/18, we finalized the drilling of 22 new wells and sidetracks.

Group hydrocarbon **sales volumes** decreased by 6% compared to Q1/17, with lower sales both in Romania and Kazakhstan.

Exploration expenses slightly decreased in Q1/18 to RON 32 mn.

Exploration expenditures increased to RON 65 mn due to higher onshore drilling activities.

Investments in Upstream activities doubled compared to the Q1/17 level, mainly due to the higher number of wells drilled, workovers performed and intensified works in facilities projects.

Downstream

- **Downstream Oil: The Clean CCS Operating Result decreased by 13% reflecting the deteriorated refining margin environment; retail volumes up by 1%**
- **Downstream Gas: higher Clean Operating Result on improved power business**

The **Clean CCS Operating Result** increased to RON 321 mn in Q1/18 from RON 311 mn in Q1/17, as the improved result of the Downstream Gas segment offset the lower Downstream Oil result. The **Reported Operating Result** was RON 447 mn, reflecting special income of RON 84 mn and inventory holding gains of RON 42 mn, while the Q1/17 figure of RON 322 mn reflected net special charges of RON (6) mn and inventory holding gains of RON 17 mn.

In Q1/18, the **Downstream Oil Clean CCS Operating Result** decreased to RON 243 mn, impacted by the deteriorated refining margin environment.

The **OMV Petrom indicator refining margin** decreased yoy by USD 1.02/bbl to USD 6.56/bbl in Q1/18, mainly due to negative impact from the increased crude oil price. The **refinery utilization rate** in Q1/18 was marginally lower at 94% (Q1/17: 95%).

Total **refined product sales** were similar to Q1/17. Group retail sales volumes, which accounted for 52% of total refined product sales, increased by 1% yoy as a result of higher demand in Romania. The Q1/18 non-retail sales volumes decreased by 3% yoy as a result of sales channels optimization.

The **Downstream Gas Clean Operating Result** increased to RON 78 mn in Q1/18 from RON 32 mn in Q1/17 mainly on improved power business, as the Q1/17 result was negatively impacted by Brazi power plant unavailability of half capacity and by provisions for outstanding receivables of RON (7) mn.

As per OMV Petrom's estimates, national **gas** demand was relatively stable in Q1/18 yoy. On the Romanian centralized markets, the weighted average price of natural gas for transactions closed in Q1/18 (26.6 TWh[1]), with delivery until Q3/19, was RON 77.9/MWh[1,2].

In Q1/18, in the context of lower gas production, OMV Petrom's total gas sales volume dropped by 8% yoy. Lower sales to wholesalers due to a milder winter in January–February were partly compensated by increased sales to end-users and higher offtake by the Brazi power plant. On the centralized markets, OMV Petrom sold 5.7 TWh in Q1/18, with delivery until Q3/19, at an average price[2] in line with the market price. At the end of Q1/18, OMV Petrom's storage level was 0.3 TWh.

According to preliminary gross data available from the grid operator, national **electricity** demand increased by 3%, while production increased by 2% yoy on the basis of high hydro and coal contribution to the production mix; the net export balance was 16% lower yoy.

The Brazi power plant was available at full capacity throughout Q1/18 and generated 0.89 TWh net electrical output, higher by 25% yoy, but still limited by significantly lower spark spreads as compared to Q1/17. The Q1/17 net electrical output figure also included 0.03 TWh electricity generated by the Dorobantu wind park, which was divested at the end of 2017.

Total Downstream investments amounted to RON 190 mn (Q1/17: RON 29 mn), of which RON 189 mn were in Downstream Oil (Q1/17: RON 28 mn). Investments in Downstream Oil were mostly directed to the planned full-site refinery turnaround and the Polyfuel growth project.

[1] *OMV Petrom estimates based on available public information;*

[2] *The gas price for transactions on the Romanian centralized markets refers to various products in terms of storage costs, flexibility and timing.*