



# OMV Petrom Factsheet

May 3, 2018

OMV Petrom S.A.

## 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% <sup>1</sup>	in RON mn	2017
4,875	5,142	4,653	5	Sales <sup>2</sup>	19,435
<b>958</b>	<b>573</b>	<b>767</b>	<b>25</b>	<b>Clean CCS Operating Result<sup>3</sup></b>	<b>3,273</b>
645	340	460	40	Clean Operating Result Upstream <sup>3,4</sup>	1,674
321	360	311	3	Clean CCS Operating Result Downstream <sup>3</sup>	1,753
(22)	(28)	(21)	(3)	Clean Operating Result Co&O <sup>3</sup>	(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 <sup>3,7</sup>	2,487
<b>752</b>	<b>434</b>	<b>586</b>	<b>28</b>	<b>Clean CCS net income attributable to stockholders<sup>3,6,7</sup></b>	<b>2,488</b>
0.0133	0.0077	0.0103	28	Clean CCS EPS (RON) <sup>3,6,7</sup>	0.0439
<b>958</b>	<b>573</b>	<b>767</b>	<b>25</b>	<b>Clean CCS Operating Result<sup>3</sup></b>	<b>3,273</b>
<b>71</b>	<b>145</b>	<b>5</b>	<b>n.m.</b>	<b>Special items<sup>5</sup></b>	<b>(105)</b>
50	103	26	90	CCS effects: Inventory holding gains/(losses)	102
<b>1,080</b>	<b>820</b>	<b>798</b>	<b>35</b>	<b>Operating Result Group</b>	<b>3,270</b>
632	442	471	34	Operating Result Upstream <sup>4</sup>	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
<b>854</b>	<b>642</b>	<b>619</b>	<b>38</b>	<b>Net income attributable to stockholders<sup>6</sup></b>	<b>2,491</b>
0.0151	0.0113	0.0109	38	Earnings Per Share (RON) <sup>6</sup>	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 (%) <sup>3,7</sup>	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.

<sup>1</sup> Q1/18 vs. Q1/17;

<sup>2</sup> Sales excluding petroleum excise tax;

<sup>3</sup> 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);

<sup>4</sup> Excluding intersegmental profit elimination shown in the line "Consolidation";

<sup>5</sup> 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;

<sup>6</sup> After deducting net result attributable to non-controlling interests;

<sup>7</sup> 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<sup>1</sup>), with delivery until Q3/19, was RON 77.9/MWh<sup>1,2</sup>.

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<sup>2</sup> 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.

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<sup>1</sup> OMV Petrom estimates based on available public information;

<sup>2</sup> The gas price for transactions on the Romanian centralized markets refers to various products in terms of storage costs, flexibility and timing.