OMV Petrom Factsheet

October 31, 2018

OMV Petrom S.A.

Highlights Q3/18

- **Clean CCS Operating Result RON 1.7 bn, up 62% yoy**
- **Operating cash flow RON 2.4 bn, up 62% yoy**
- **Clean CCS EPS up 78% yoy**
- **Clean CCS ROACE at 11.8%**

Financial highlights

Q3/18	Q2/18	Q3/17	Δ% [1]	in RON mn	9m/18	9m/17	Δ%
6,260	4,976	5,032	24	Sales [2]	16,111	14,294	13
1,685	**735**	**1,042**	**62**	**Clean CCS Operating Result [3]**	**3,378**	**2,701**	**25**
965	820	428	126	Clean Operating Result Upstream [3, 4]	2,430	1,334	82
639	221	651	(2)	Clean CCS Operating Result Downstream [3]	1,181	1,394	(15)
(18)	(18)	(17)	(4)	Clean Operating Result Co&O [3]	(57)	(46)	(24)
98	(288)	(20)	n.m.	Consolidation	(175)	19	n.m.
16	23	16	1	Clean Group effective tax rate (%)	18	17	6
1,383	462	778	78	Clean CCS net income [3]	2,597	2,053	26
1,382	**462**	**778**	**78**	**Clean CCS net income attributable to stockholders [3,6,7]**	**2,597**	**2,054**	**26**
0.0244	0.0082	0.0137	78	Clean CCS EPS (RON) [3,6,7]	0.0458	0.0363	26
1,685	**735**	**1,042**	**62**	**Clean CCS Operating Result [3]**	**3,378**	**2,701**	**25**
(63)	(191)	(173)	64	Special items [5]	(183)	(250)	27
59	157	5	n.m.	CCS effects: Inventory holding gains/(losses)	267	(0)	n.m.
1,681	**701**	**873**	**93**	**Operating Result Group**	**3,462**	**2,450**	**41**
951	813	332	186	Operating Result Upstream [4]	2,396	1,219	97
651	215	570	14	Operating Result Downstream	1,312	1,227	7
(19)	(28)	(19)	(2)	Operating Result Co&O	(69)	(48)	(43)
98	(299)	(11)	n.m.	Consolidation	(178)	52	n.m.
(30)	(135)	(111)	73	Net financial result	(228)	(232)	2
1,650	566	762	117	Profit before tax	3,234	2,218	46
16	23	16	1	Group effective tax rate (%)	18	17	5
1,379	434	638	116	Net income	2,667	1,848	44
1,379	**434**	**639**	**116**	**Net income attributable to stockholders [6]**	**2,667**	**1,849**	**44**
0.0243	0.0077	0.0113	116	EPS (RON) [6]	0.0471	0.0326	44
2,376	1,388	1,470	62	Cash flow from operating activities	5,561	4,446	25
1,217	(637)	959	27	Free cash flow after dividends	1,310	2,002	(35)
(4,205)	(2,987)	(2,258)	(86)	Net debt/(cash)	(4,205)	(2,258)	(86)
998	1,260	811	23	Capital expenditure	3,100	1,724	80
11.8	9.5	9.1	29	Clean CCS ROACE (%) [3, 7]	11.8	9.1	29
12.9	10.1	7.9	62	ROACE (%)	12.9	7.9	62
13,249	13,421	13,886	(5)	OMV Petrom Group employees at end of period	13,249	13,886	(5)

[1] Q3/18 vs. Q3/17
[2] Sales excluding petroleum excise tax;
[3] Adjusted for special items; Clean CCS (current cost of supply) 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 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.

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The energy for a better life.

Outlook for the full year 2018

Market environment

- For the full year 2018, OMV Petrom expects the **average Brent oil price** to be at USD 74/bbl (revised up from USD 70/bbl). The Brent-Urals spread is anticipated to widen compared to 2017;
- **Refining margins** are expected to be below USD 7/bbl;
- **Demand for oil products, gas and power** is expected to be broadly similar to 2017.

Taxation and regulatory environment

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

- Amendments to Law 123/2012 were introduced in Q2/18 including the increase of minimum quotas of gas volumes to be traded on the Romanian centralized markets. Clarifying secondary legislation remains pending;
- The Offshore Law was approved by the Chamber of Deputies and awaits promulgation by the President. We are currently assessing the impact on our offshore operations and investment decisions.

OMV Petrom Group

- We expect a **positive free cash flow after dividends** supported by the favorable commodity prices;
- **CAPEX** (including capitalized exploration and appraisal) is currently anticipated to be around RON 3.7 bn, of which around 75% will be in Upstream;
- We do not see a **Neptun Deep final investment decision** in Q4/18;
- We are aiming 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; agreement to transfer nine licenses signed with Mazarine Energy in September 2018; divestment process for further fields ongoing;
- **Investments:** more than 100 new wells and sidetracks and around 1,000 workovers;
- **Exploration:** exploration expenditures are estimated to be around RON 0.5 bn.

Downstream

- **Refinery utilization** rate estimated at around 85%; this includes the impact of the six-week full-site turnaround performed in Q2/18;
- Lower **gas sales volumes** on decreasing equity supply, and higher **net electrical output** vs. 2017.

Business segments Q3/18 vs. Q3/17

Upstream

- **Strong Clean Operating Result supported by higher prices**
- **Daily production decreased by around 4%, mainly due to natural decline**
- **OPEX in USD/boe of 10.41 impacted mainly by lower production**

The **Clean Operating Result** improved to RON 965 mn, mainly driven by higher oil and gas prices, which compensated for the lower oil and gas volumes and higher royalties.

The **Reported Operating Result** was impacted by special items, mainly in relation to personnel restructuring provisions in Q3/18 and to the reassessment of receivables and provisions in Q3/17.

Group **production costs** (OPEX) in USD/boe were 2% higher than in Q3/17, mainly due to lower production available for sale, which was partly counterbalanced by ongoing cost optimization and favorable FX effects. In Romania production costs in USD/boe increased by 3% to USD 10.53/boe.

Group hydrocarbon production decreased due to lower production both in Romania and Kazakhstan.

In **Romania**, daily hydrocarbon **production** was 153.3 kboe/d and total production stood at 14.1 mn boe. Crude oil and NGL production in Romania was 6.22 mn bbl, broadly in line with the production in Q3/17, as the natural decline and marginal fields divestment effects were almost compensated by the production from new wells and workovers. Gas production in Romania decreased by 6% to 7.88 mn boe (Q3/17: 8.41 mn boe) mainly due to natural decline in main fields (Totea Deep and Lebada East).

In **Kazakhstan**, total production amounted to 0.64 mn boe, 4% lower compared to the same period of 2017, mainly due to natural decline and the increased number of wells waiting for intervention and workover.

Group hydrocarbon **sales volumes** decreased by 6% compared to Q3/17, due to lower volumes available for sale both in Romania and Kazakhstan.

Exploration expenses decreased to RON 9 mn, as Q3/17 was impacted by exploration write-offs.

Exploration expenditures increased to RON 129 mn, as onshore exploration drilling activities intensified.

Investments in Upstream activities were 18% above the Q3/17 level, mainly due to higher drilling activities.

In 9m/18, we finalized the drilling of 74 new wells and sidetracks, of which two were exploration wells.

Downstream

- **Downstream Oil: stable Clean CCS Operating Result driven by very high utilization rate despite a lower refining margin**
- **Downstream Gas: good result, built on optimization of products and client portfolios**

The **Clean CCS Operating Result** decreased to RON 639 mn in Q3/18 (Q3/17: RON 651 mn), due to the lower result of the Downstream Gas segment. The **Reported Operating Result** of RON 651 mn reflected **special charges** of RON (48) mn (mainly unrealized losses from the valuation of electricity forward contracts), fully counterbalanced by positive **CCS effects** of RON 59 mn (due to higher crude quotations towards the end of the quarter).

In Q3/18, the **Downstream Oil Clean CCS Operating Result** slightly increased to RON 544 mn, reflecting the good operating performance, despite lower refining margin.

The **OMV Petrom indicator refining margin** decreased yoy by USD 2.13/bbl to USD 6.62/bbl in Q3/18, mainly as a result of the increased crude oil price. The **refinery utilization rate** was 98% in Q3/18, reflecting the temporarily higher throughput run following the Q2/18 refinery turnaround.

Total refined product sales were lower by 1% vs. Q3/17, reflecting the decrease in non-retail sales. Group retail sales volumes, which accounted for 56% of total refined product sales, were slightly above Q3/17 level despite increased competition in Romania. The Retail result was also supported by a good non-oil business contribution. Q3/18 non-retail sales volumes decreased by 3% yoy, reflecting the sales channels optimization.

The **Downstream Gas Clean Operating Result** was RON 95 mn in Q3/18, reflecting the optimization of products and clients portfolios, and full availability of the Brazi power plant; also, the Q3/18 result included RON 47 mn estimated insurance revenues related to the Brazi power plant, compared to RON 80 mn booked in Q3/17 for the same reason.

As per OMV Petrom's estimates, national **gas** demand increased by approximately 5% compared to the same quarter of last year. On the Romanian centralized markets, the weighted average price of natural gas for transactions closed in Q3/18 (3.8 TWh[1]) with delivery until end-2019 was RON 105/MWh[1,2].

In Q3/18, OMV Petrom's gas sales volumes were 9% lower vs. Q3/17, mainly triggered by lower equity gas production. At the end of Q3/18, OMV Petrom had 3.5 TWh in storage, compared to 2.7 TWh at the end of Q3/17.

As per currently available information from the grid operator, national **electricity** production was 7% higher, while national demand was 1% higher compared to the same quarter of 2017; net exports increased accordingly.

The net electrical output was 1.04 TWh in Q3/18, as the Brazi power plant was functional at full capacity (Q3/17: 0.75 TWh; half capacity of Brazi plant available).

Total **Downstream investments** amounted to RON 201 mn (Q3/17: RON 135 mn) and were directed to Downstream Oil, mainly for the Polyfuel growth project and the Arad fuel storage revamp.

[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.*