



OMV Petrom Q4/17 Results

February 21, 2018

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OMV Petrom

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Key messages Q4/17



Free cash flow of RON 664 mn

Clean CCS Operating Result at RON 573 mn

Clean CCS EPS up 65% yoy

Dividend proposal¹: RON 0.02/share, 33% higher yoy

2017 LTIR² at 0.17 (2016: 0.21)



Upstream: production 165 kboe/d, -3% yoy; OPEX USD 12.4/boe, +7% yoy



Downstream Oil: refining margins USD -1.0/bbl yoy; retail sales volumes +4% yoy



Downstream Gas: gas sales volumes -5% yoy; net electrical output +29% yoy

¹ Executive Board's proposal subject to approvals of the Supervisory Board and Annual General Meeting of Shareholders on April 26, 2018; ² Lost time injury rate (employees and contractors) for OMV Petrom Group



Romanian environment

Macroeconomic environment

2017 GDP growth¹: 7% yoy;
Q4/17 GDP growth: 7% yoy

CPI annual inflation: 3.3% end-Dec; 12-month average: 1.3%

Demand:

	2017 yoy	Q4/17 yoy
Fuels ²	+7%	+6%
Gas ³	+5%	-9%
Power ⁴	+4%	+5%

Fiscal framework

Supplementary gas taxation⁵ extended

Tax on special constructions eliminated starting January 1, 2017

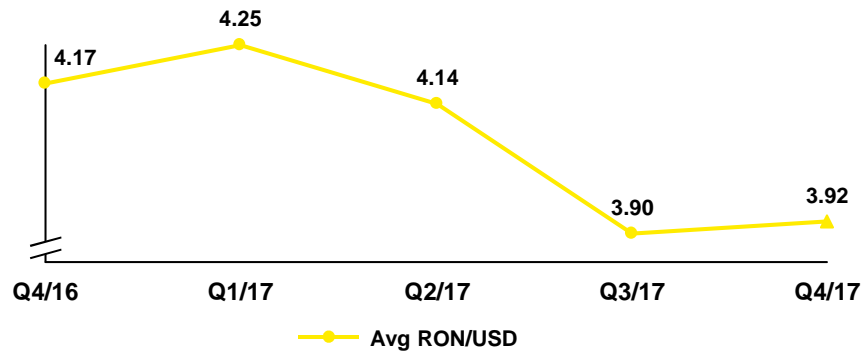
Engagement with stakeholders on **Upstream taxation and regulatory framework**

¹ Romanian National Institute of Statistics; ² Fuels refer only to retail diesel and gasoline; OMV Petrom estimates based on Romanian National Institute of Statistics data; ³ According to company estimates; ⁴ According to preliminary data available from the grid operator; ⁵ Introduced at the beginning of 2013 simultaneously with the start of gas price liberalization

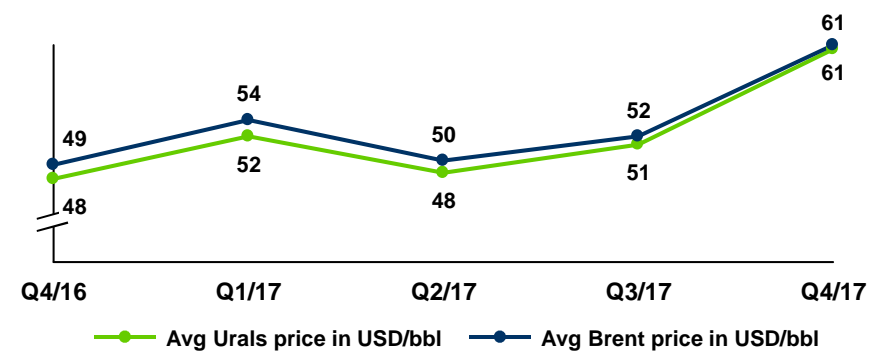


Economic environment

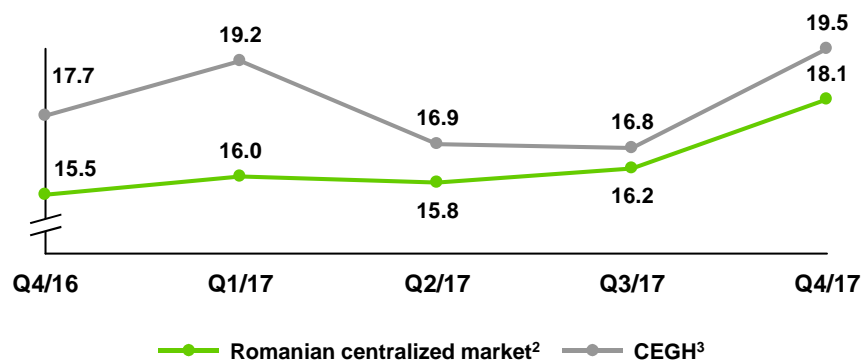
FX (RON/USD)



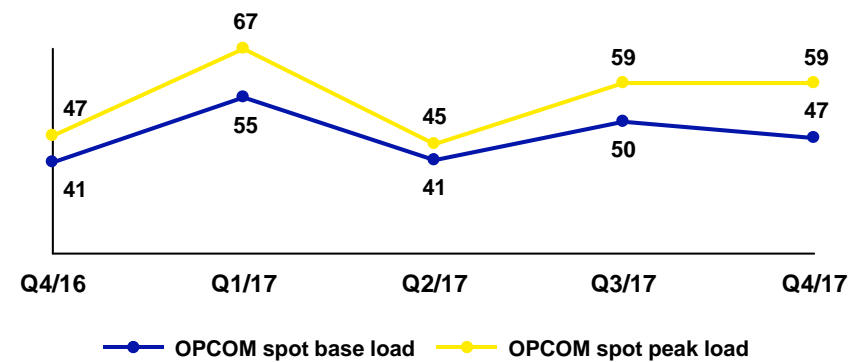
Oil price (USD/bbl)



Gas prices (EUR/MWh)¹



Power prices in Romania (EUR/MWh)¹

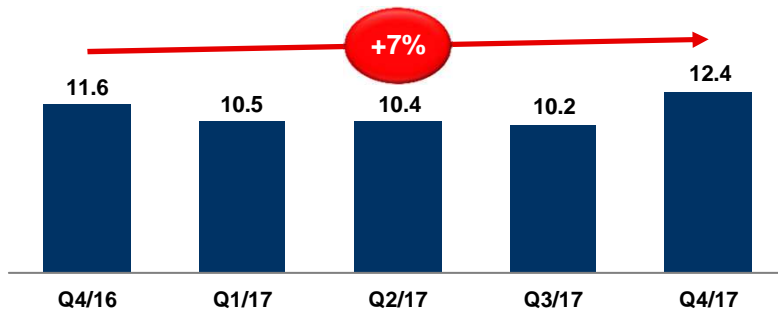


¹ Prices estimated by OMV Petrom based on available public information; the prices in EUR/MWh are translated at the exchange rate 4.5 RON/EUR until Q1/17 and at the NBR average RON/EUR rate afterwards; ² All transactions concluded in the respective quarter, irrespective of delivery period and product type; ³ Day-ahead market Central European Gas Hub

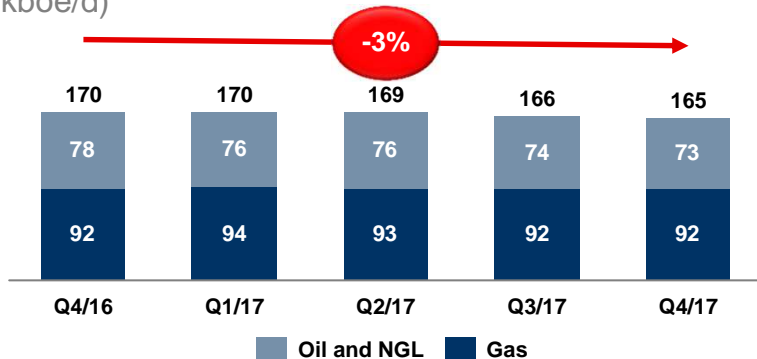


Upstream KPIs: OPEX/boe impacted by one-offs

OPEX¹ (USD/boe)



Hydrocarbon production (kboe/d)



Key drivers Q4/17 vs. Q4/16

Higher OPEX, in USD/boe terms, +7%:

- ▶ One-off personnel-related expense, USD 1.2/boe
- ▶ Unfavorable FX development, USD 0.7/boe
- ▶ Abolition of tax on special constructions, USD 0.9/boe

Total Upstream production -3%, due to:

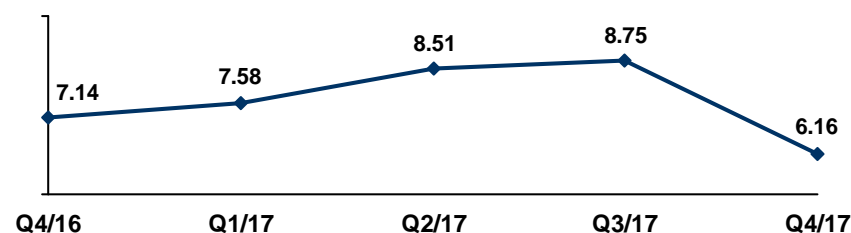
- ▶ Natural decline
- ▶ Marginal fields' divestment
- ▶ Interventions at key wells in Kazakhstan
- ▶ Successful workover campaigns

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.



Downstream Oil KPIs: Q4/17 decline of refining margins and strong retail sales

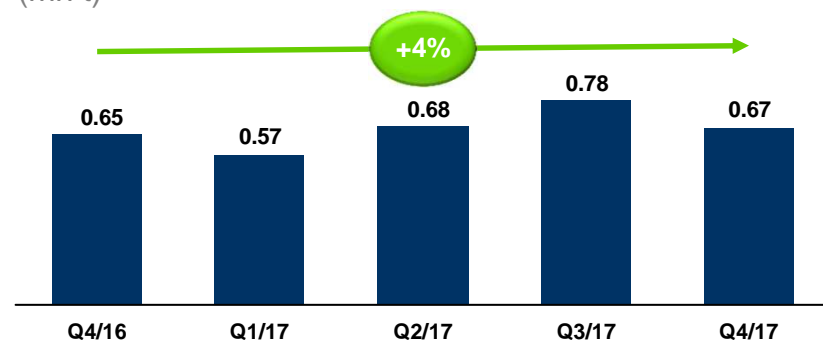
OMV Petrom Indicator refining margin
(USD/bbl)



Key drivers Q4/17 vs. Q4/16

- ▶ Refining margin -14% yoy
- ▶ Refinery utilization rate at 91%

Retail sales volumes
(mn t)

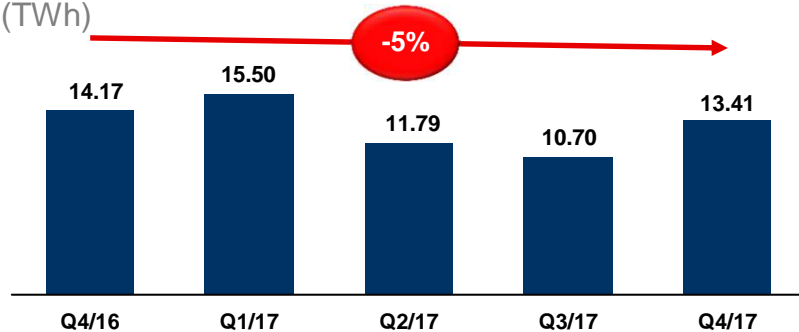


- ▶ Refined product sales -1%
 - ▶ Non-retail sales -6%
- ▶ Growth in retail sales of 4% yoy

Downstream Gas KPIs: significantly higher net electrical output

Gas sales volumes

(TWh)

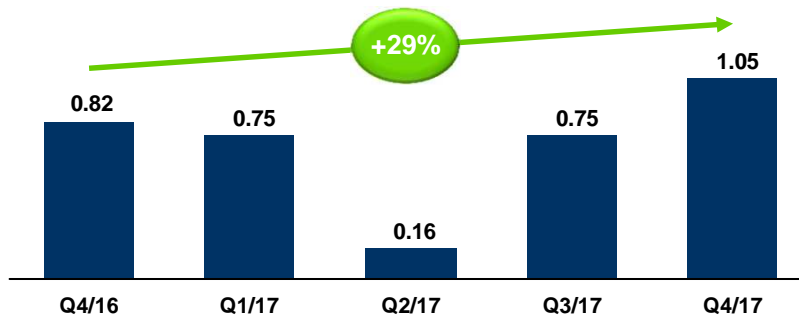


Key drivers Q4/17 vs. Q4/16

- ▶ Lower gas volumes to third parties in the context of decreased demand
- ▶ Larger volumes off-taken by Brazi power plant

Net electrical output

(TWh)



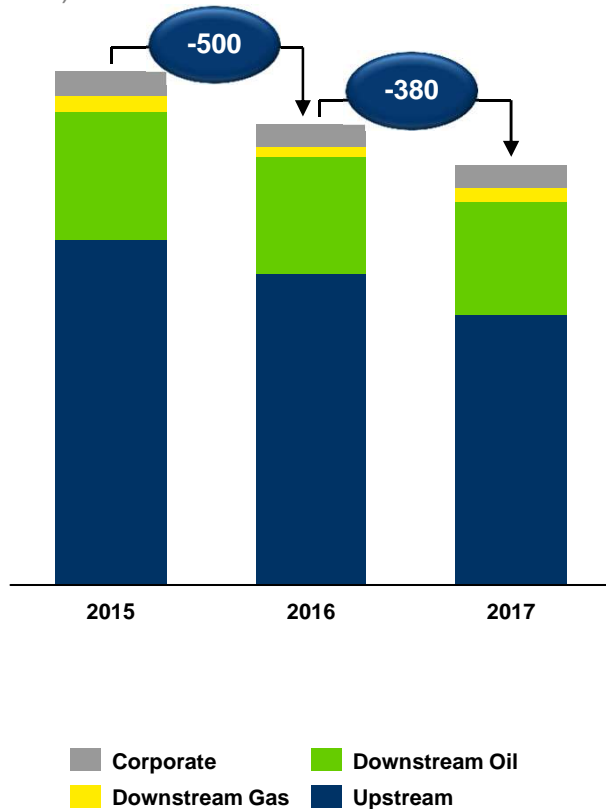
- ▶ Brazi power plant fully operational starting mid-November
- ▶ Higher net electrical output supported by better market conditions



Cost efficiency and operational excellence

Total operating cost¹

(RON mn)



Key drivers 2017 vs. 2015

- ▶ **Upstream** cost base reduced with 22%
- ▶ **Downstream Direct Cash Costs:** reduced maintenance costs, energy efficiency improvements and 3rd party contracts renegotiation, -11%
- ▶ **Corporate Costs:** cutback of advertising and IT cost, -6%
- ▶ **Headcount:** further downsized, -14%

¹ On comparable basis with 2015





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Stefan Waldner,
CFO

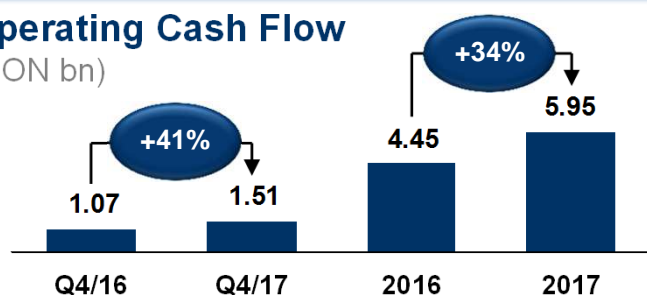


OMV Petrom

Cash Flow highlights

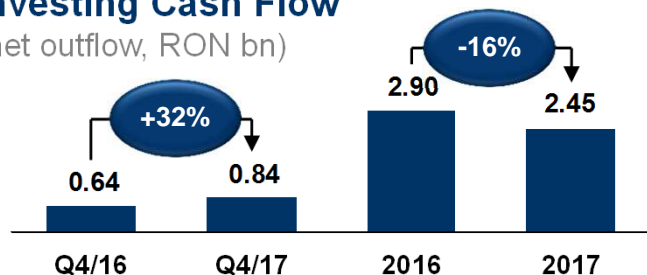
Operating Cash Flow

(RON bn)



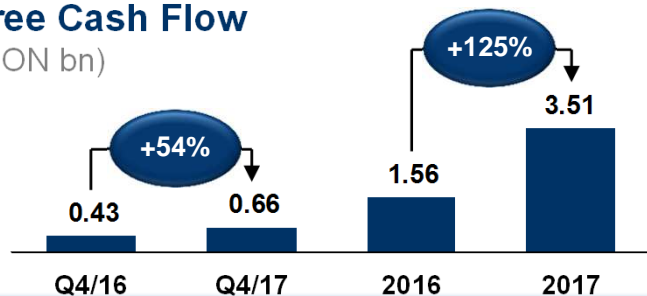
Investing Cash Flow

(net outflow, RON bn)



Free Cash Flow

(RON bn)



- ▶ 2017 OCF¹ up due to higher Operating Result
- ▶ Q4/17 NWC²: cash outflow RON 117 mn
- ▶ 2017 NWC²: cash outflow RON 199 mn
- ▶ 2017 CAPEX higher 15% yoy
- ▶ 2016 CFI³ higher due to payments related to 2015 CAPEX
- ▶ 2017 FCF⁴ more than double yoy
- ▶ RON 0.8 bn dividend paid in 2017
- ▶ 2017 FCF⁴ after dividends up 71%

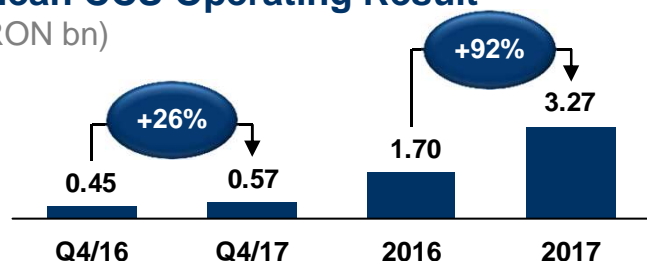
¹ Operating Cash Flow; ² Net Working Capital; ³ Cash flow from investing activities; ⁴ Free Cash Flow



Income Statement highlights

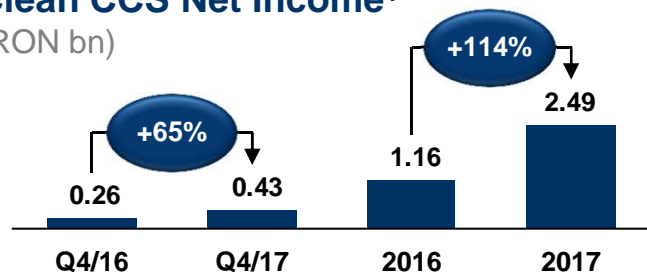
Clean CCS Operating Result

(RON bn)



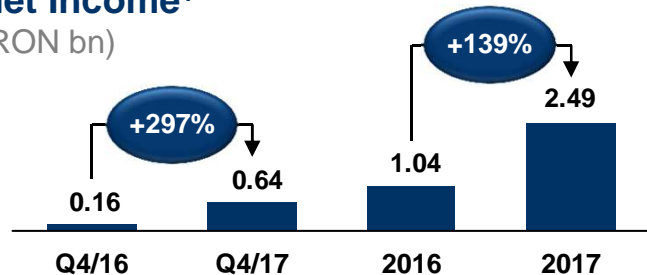
Clean CCS Net Income¹

(RON bn)



Net Income¹

(RON bn)



- ▶ Clean CCS Operating Result reflects:
 - ▶ Market conditions (prices, demand)
 - ▶ Higher exploration expenses
 - ▶ Insurance revenues related to power segment

- ▶ Clean CCS Net Income higher:
 - ▶ Effective tax rate decreased from 31% in Q4/16 to 6% in Q4/17
 - ▶ Financial loss higher in 2017 vs 2016

- ▶ Net Income includes:
 - ▶ Special charges
 - ▶ CCS effects

¹ Attributable to stockholders of the parent



Special items and CCS effect

RON mn	Q4/17	Q4/16	2017	2016
Clean CCS Operating Result	573	453	3,273	1,700
CCS effects: Inventory holding gains / (losses)	103	75	102	-98
Special items	145	-193	-105	-127
Thereof Upstream	102	-87	-13	-174
Downstream Oil	50	-95	44	58
Downstream Gas	-7	-8	-134	-7
Operating Result	820	335	3,270	1,476

Q4/17

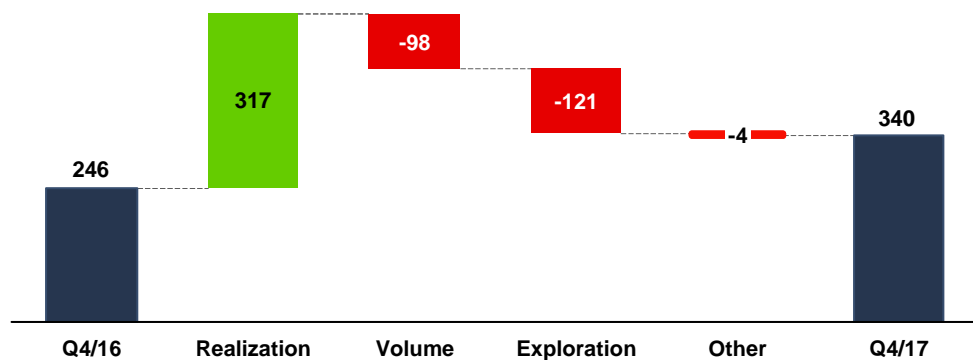
- ▶ Reversal of work litigation provision
- ▶ Gain from forward contracts for electricity
- ▶ Reversal of restructuring provision
- ▶ Impairment Brazi power plant

2017

- ▶ Provision for agricultural and forestry lands
- ▶ Impairment Brazi power plant
- ▶ Loss from forward contracts for electricity
- ▶ Reversal of work litigation provision

Upstream Clean Operating Result supported by higher realized prices

Upstream Clean Operating Result
(RON mn)

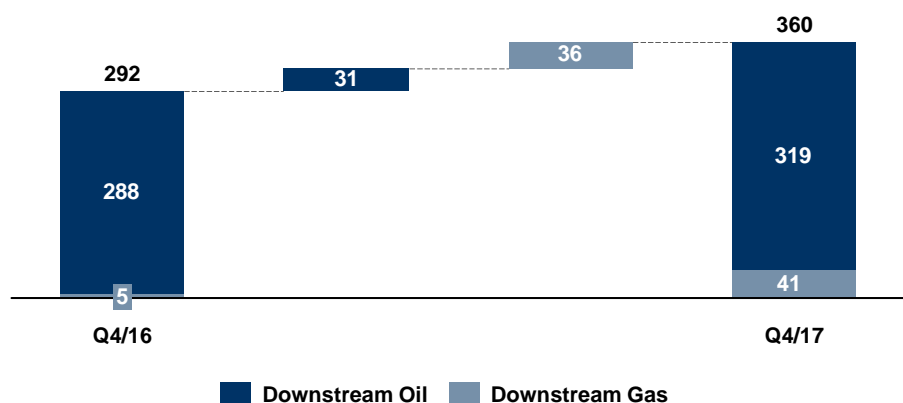


Key drivers Q4/17 vs. Q4/16

- ↑ Higher realized oil prices, +27%
- ↓ Higher exploration expenses
- ↓ Sales volumes -3%
- ↓ Production costs impacted by one-off effects
- ↓ Negative FX development

Downstream Clean CCS Operating Result: improved performance in both segments

Downstream Clean CCS Operating Result (RON mn)

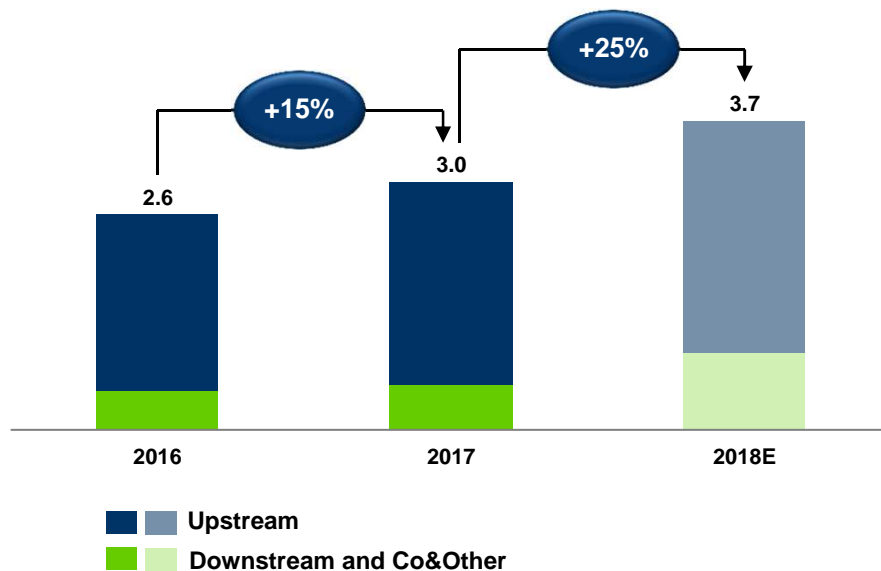


Key drivers Q4/17 vs. Q4/16

- ▶ Higher sales revenues following increase in demand
- ▶ Improved non-oil business contribution
- ▶ Lower refining margins
- ▶ Improved power business performance
- ▶ Lower Brazi power plant depreciation
- ▶ Lower gas sales

CAPEX and E&A

Group CAPEX incl. capitalized E&A (RON bn)



CAPEX incl. capitalized E&A

- ▶ **2017** at RON 3.0 bn:
 - ▶ 64 new development wells and sidetracks drilled
 - ▶ >1,000 workovers performed
- ▶ **2018** at RON 3.7 bn:
 - ▶ Drilling >100 development wells and sidetracks
 - ▶ ~1,000 workovers
 - ▶ Refinery turnaround; Polyfuel project
 - ▶ Planned partial shut-down Brazi power plant

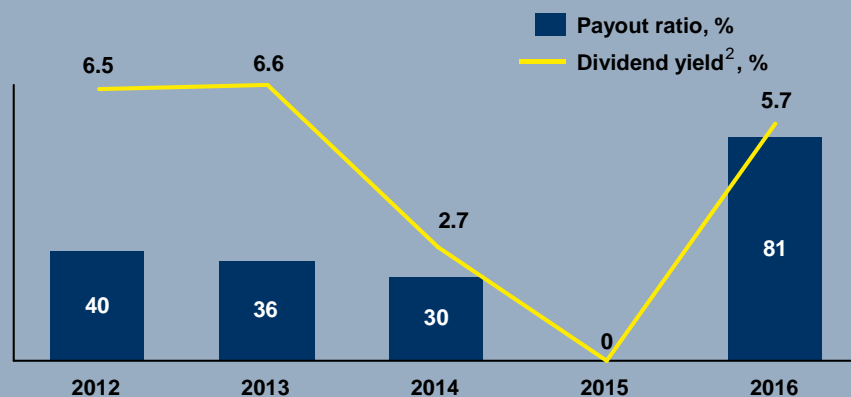
E&A expenditure

- ▶ 2017: 7 wells spudded
- ▶ 2018E exploration expenditure RON ~230 mn

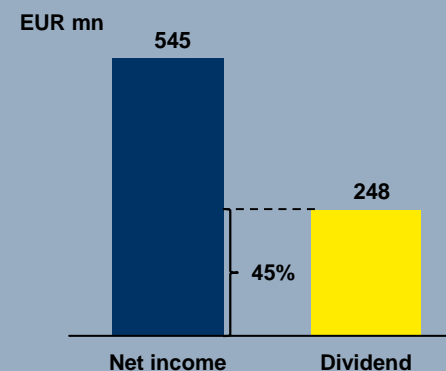
2017 Dividend proposal: EUR 248 mn

- ▶ DPS¹ 2017: RON 0.02
- ▶ Dividend yield² 2017: 7%
- ▶ EUR 1.1 bn returned to shareholders in the past five years

2012-2016 Payout ratio and Dividend yield



2017 DPS¹: RON 0.02



¹ Executive Board's proposal subject to approvals of the Supervisory Board and Annual General Meeting of Shareholders on April 26, 2018; ² Calculated based on the closing share price as of the last trading day of the respective year



Outlook 2018

Indicators	Actual 2017	Assumptions/Targets 2018
Brent oil price	USD 54/bbl	USD 60/bbl
Refining margin	USD 7.75/bbl	<USD 7.75/bbl
Production	168 kboe/d	~ -4% yoy ¹
CAPEX	RON 3.0 bn	RON 3.7 bn
FCF after dividends	RON 2.7 bn	positive

¹ Not including portfolio optimization initiatives





OMV Petrom Q4/17 Results

February 21, 2018

Mariana Gheorghe,
CEO



OMV Petrom

First progress towards achieving our 2021+ strategic objectives

Sustainable access to energy for everyday modern life

Enhancing competitiveness



- Drilling campaign ramped-up
- Operational efficiency increased
- Costs optimized
- Portfolio streamlining initiated

Developing growth options



- Development concept selected for Neptun¹
- Moving towards higher value product mix
- Developing retail offer

Regional expansion



- Opportunities in selected areas screened

Strong performance and attractive return

- **9.8%** Clean CCS ROACE
- **RON 2.7 bn** FCF after dividends
- **33%** yoy dividend growth²
- **6.8%** increase in share price³

¹ Development subject to confirmation of commercial viability; ² Executive Board's proposal for 2017 is subject to approvals of the Supervisory Board and Annual General Meeting of Shareholders on April 26, 2018; ³ share price as of December 29, 2017 compared with share price as of December 30, 2016, adjusted for EUR/RON exchange rate



Q&A

