



OMV Petrom Factsheet

August 2, 2018

OMV Petrom S.A.

Highlights Q2/18

- ▶ Operating cash flow RON 1.4 bn
- ▶ Dividends paid RON 1.1 bn
- ▶ Clean CCS Operating Result RON 735 mn
- ▶ Clean CCS ROACE 9.5%

Financial highlights

Q2/18	Q1/18	Q2/17	Δ% ¹	in RON mn	6m/18	6m/17	Δ%
4,976	4,875	4,608	8	Sales ²	9,851	9,261	6
735	958	892	(18)	Clean CCS Operating Result³	1,694	1,659	2
820	645	447	83	Clean Operating Result Upstream ^{3,4}	1,465	907	62
221	321	431	(49)	Clean CCS Operating Result Downstream ³	542	742	(27)
(18)	(22)	(8)	(129)	Clean Operating Result Co&O ³	(39)	(29)	(36)
(288)	14	22	n.m.	Consolidation	(273)	39	n.m.
23	16	17	37	Clean Group effective tax rate (%)	19	17	12
462	752	690	(33)	Clean CCS net income ³	1,214	1,275	(5)
462	752	690	(33)	Clean CCS net income attributable to stockholders^{3,6,7}	1,214	1,276	(5)
0.0082	0.0133	0.0122	(33)	Clean CCS EPS (RON) ^{3,6,7}	0.0214	0.0225	(5)
735	958	892	(18)	Clean CCS Operating Result³	1,694	1,659	2
(191)	71	(81)	(135)	Special items⁵	(120)	(77)	(56)
157	50	(32)	n.m.	CCS effects: Inventory holding gains/(losses)	207	(5)	n.m.
701	1,080	779	(10)	Operating Result Group	1,781	1,577	13
813	632	416	96	Operating Result Upstream ⁴	1,445	887	63
215	447	335	(36)	Operating Result Downstream	662	657	1
(28)	(22)	(8)	(248)	Operating Result Co&O	(50)	(29)	(69)
(299)	23	36	n.m.	Consolidation	(276)	63	n.m.
(135)	(63)	(65)	(109)	Net financial result	(198)	(121)	(64)
566	1,017	714	(21)	Profit before tax	1,583	1,456	9
23	16	17	36	Group effective tax rate (%)	19	17	10
434	854	591	(27)	Net income	1,288	1,210	6
434	854	592	(27)	Net income attributable to stockholders⁶	1,288	1,210	6
0.0077	0.0151	0.0104	(27)	EPS (RON) ⁶	0.0227	0.0214	6
1,388	1,796	1,714	(19)	Cash flow from operating activities	3,185	2,976	7
(637)	729	397	n.m.	Free cash flow after dividends	93	1,043	(91)
(2,987)	(3,626)	(1,302)	(129)	Net debt/(cash)	(2,987)	(1,302)	(129)
1,260	843	560	125	Capital expenditure	2,102	913	130
9.5	10.5	7.7	25	Clean CCS ROACE (%) ^{3,7}	9.5	7.7	25
10.1	10.8	7.1	41	ROACE (%)	10.1	7.1	41
13,421	13,606	14,332	(6)	OMV Petrom Group employees at end of period	13,421	14,332	(6)

¹ Q2/18 vs. Q2/17

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.



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 70/bbl (revised up from USD 68/bbl). The Brent-Urals spread is anticipated to widen compared to 2017;
- ▶ **Refining margins** are expected to be below the 2017 level;
- ▶ **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.

- ▶ Several amendments have been brought to Law 123/2012, including higher quotas of gas volumes to be traded on the Romanian centralized markets by participants to the wholesale market (50% as sellers and 40% as buyers). The new quotas apply from January 1, 2019 and may be increased yearly via ANRE decision;
- ▶ The Offshore Law draft was approved by Parliament and was sent to the President for promulgation; the authorities have publicly indicated that further clarifications will follow.

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 around RON 3.7 bn, of which around 75% will be in Upstream;
- ▶ **Neptun Deep**: we are aiming for a final investment decision this year, depending on stable fiscal regime, gas market liberalization and gas infrastructure development;
- ▶ 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, 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 460 mn due to the expected increase of working interest in exploration joint operating agreements and increased expenditures for drilling and testing.

Downstream

- ▶ **The refinery utilization** rate is estimated at around 85%; this includes the impact of the six-week full-site turnaround performed in Q2/18;
- ▶ Relatively similar **gas sales volumes** and higher **net electrical output** vs. 2017.

Business segments Q2/18 vs. Q2/17

Upstream

- ▶ **Strong Clean Operating Result supported by higher oil prices**
- ▶ **Daily production decreased by around 5%, due to natural decline and maintenance activities**
- ▶ **OPEX in USD/boe of 11.67, impacted by lower production and unfavorable FX effects**

The **Clean Operating Result** improved to RON 820 mn, mainly driven by higher oil prices and lower depreciation, which compensated for the lower oil and gas volumes, unfavorable FX effects (USD 6% weaker against RON), higher royalties and higher exploration expenses.

In both Q2/18 and Q2/17 the **Reported Operating Result** was impacted by special items, mainly in relation to personnel restructuring provisions.

Group **production costs** (OPEX) in USD/boe were 12% higher than in Q2/17, mainly due to lower production available for sale and unfavorable FX rates, which were partly counterbalanced by ongoing cost optimization. In Romania production costs in USD/boe increased by 13% to USD 11.83/boe, while in RON terms they increased by 7% to RON 46.17/boe.

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

In **Romania**, daily hydrocarbon **production** was 152.7 kboe/d and total production stood at 13.89 mn boe. Crude oil and NGL production in Romania was 6.13 mn bbl, 3% lower than in Q2/17. This mainly reflected natural decline and marginal fields divestment. Gas production in Romania decreased by 8% to 7.76 mn boe (Q2/17: 8.41 mn boe) due to natural decline in main fields (Totea Deep and Lebada East) and the impact of maintenance activities.

In **Kazakhstan**, total production amounted to 0.69 mn boe, 2% lower compared to the same period of 2017, mainly due to natural decline.

Group hydrocarbon **sales volumes** decreased by 6% compared to Q2/17, due to lower volumes available for sale in Romania.

Exploration expenses increased to RON 53 mn in Q2/18, impacted by studies and related write-offs.

Exploration expenditures increased to RON 119 mn, as onshore exploration drilling activities intensified.

Investments in Upstream activities were 66% above the Q2/17 level, mainly due to ramp-up in drilling and workover activities.

Downstream

- ▶ **Downstream Oil: Clean CCS Operating Result mainly impacted by Petrobrazi refinery turnaround; retail sales volumes up by 1%**
- ▶ **Downstream Gas: resilient result, built on optimization of products and clients portfolios**

The **Clean CCS Operating Result** decreased to RON 221 mn in Q2/18 (Q2/17: RON 431 mn), reflecting the lower yoy results of both the Downstream Oil and Downstream Gas segments. The **Reported Operating Result** of RON 215 mn also reflected **special charges** of RON (174) mn (mainly unrealized losses from the valuation of electricity forward contracts), almost fully counterbalanced by positive **CCS effects** of RON 168 mn (due to higher quotations towards the end of the quarter).

In Q2/18, the **Downstream Oil Clean CCS Operating Result** decreased to RON 195 mn, mainly due to the 45-day full-site Petrobrazi refinery turnaround and a deteriorating refining margin environment. The turnaround impacted the Q2/18 Clean CCS Operating Result by around RON (150) mn.

The **OMV Petrom indicator refining margin** decreased yoy by USD 1.79/bbl to USD 6.72/bbl in Q2/18, mainly as a result of the increased crude oil price. The **refinery utilization rate** was 49% in Q2/18, impacted by the refinery turnaround.

Total **refined product sales** were lower 12% vs. Q2/17, mainly reflecting the decrease in non-retail sales. Group retail sales volumes, which accounted for 60% of total refined product sales, increased by 1% compared to Q2/17 as a result of higher demand in Romania. The Retail result was also supported by a higher non-oil business contribution. Q2/18 non-retail sales volumes decreased by 26% yoy, impacted by lower product availability due to the refinery turnaround.

The **Downstream Gas Clean Operating Result** was RON 26 mn in Q2/18, reflecting the optimization of products and clients portfolios, and also supported by higher availability of the Brazi power plant vs. Q2/17; for comparison, the Q2/17 result was RON 36 mn and included the booking of RON 73 mn insurance revenues related to the Brazi power plant.

As per OMV Petrom's estimates, national **gas** demand decreased by approximately 9% compared to Q2/17. On the Romanian centralized markets, the weighted average price of natural gas for transactions closed in Q2/18 (16.7 TWh¹) with delivery until Q3/19 was RON 84/MWh^{1,2}.

In Q2/18, OMV Petrom's gas sales volumes were 11% lower vs. Q2/17, mainly triggered by lower equity gas production. On the centralized markets, OMV Petrom sold 2.6 TWh in Q2/18, with delivery until Q3/19, at an average price² in line with the market price. At the end of Q2/18, OMV Petrom had 1.3 TWh in storage, compared to 0.8 TWh at the end of Q2/17.

As per currently available information from the grid operator, national **electricity** production was 1% lower, while national demand was 1% higher compared to the same quarter of 2017; net exports decreased by 38%.

A six-week planned partial shutdown took place at the Brazi power plant in April-May 2018; however, the plant generated a net electrical output of 0.4 TWh in Q2/18, compared to 0.1 TWh in Q2/17 when the plant was mostly offline due to the malfunction of two transformers. The Q2/17 net electrical output figure also included 0.02 TWh of electricity generated by the Dorobantu wind park, which was divested at the end of 2017.

Total **Downstream investments** amounted to RON 471 mn (Q2/17: RON 86 mn), thereof RON 446 mn in Downstream Oil (Q2/17: RON 77 mn). In Downstream Oil, the increase was mainly due to investments directed to the Petrobrazi refinery turnaround, tie-in projects and the Polyfuel growth project. In Downstream Gas, the Q2/18 investments amounted to RON 26 mn (Q2/17: RON 10 mn) and were mainly in relation to the planned shutdown of the Brazi power plant and the acquisition of a back-up transformer.

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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.