

OMV Petrom Group Factsheet Q1/19

May 3, 2019

OMV Petrom S.A.

Highlights Q1/19^{1,2}

Group

- ▶ Clean CCS Operating Result at RON 1.2 bn, 28% higher
- ▶ Clean CCS net income attributable to stockholders at RON 1.1 bn, up 40%; Clean CCS EPS at RON 0.0186
- ▶ Cash flow from operating activities at RON 1.5 bn, 16% lower
- ▶ CAPEX at RON 0.8 bn, down 2%
- ▶ Free cash flow after dividends at RON 0.7 bn, 9% lower
- ▶ Clean CCS ROACE at 15.2%

Upstream

- ▶ Clean Operating Result increased by 28%, to RON 825 mn, positively influenced by FX and gas price
- ▶ Daily production decreased by 5.5%, mainly due to natural decline in Romania and lower production in Kazakhstan
- ▶ OPEX of USD 11.66/boe, 2% lower, reflects favorable FX effects and continuous cost management

Downstream Oil

- ▶ Clean CCS Operating Result at RON 221 mn, 9% lower, with strong operational performance, partly offsetting the weaker refining margins
- ▶ OMV Petrom indicator refining margin at USD 3.62/bbl, down 45%
- ▶ Refinery utilization rate at 96%; retail volumes up 6%

Downstream Gas

- ▶ Clean Operating Result doubled, at RON 157 mn, mainly on improved power market conditions
- ▶ Net electrical output up 21% to 1.08 TWh
- ▶ Gas sales volume decreased by 14% to 12.23 TWh

Key events

- ▶ **Portfolio optimization:** the transfer of nine marginal fields to Mazarine Energy Romania became effective on March 1, 2019, as part of the second divestment round, a step forward in simplifying our footprint
- ▶ **Polyfuel:** the new unit in Petrobrazi refinery started production in March. The plant, an investment of approximately EUR 65 mn, represents the first of its kind for the OMV Group and employs state-of-the-art and environmentally friendly technology

¹ The financials are unaudited and represent OMV Petrom Group's (herein after also referred to as "the Group") consolidated results prepared according to IFRS; all the figures refer to OMV Petrom Group, unless otherwise stated; financials are expressed in RON mn and rounded to the closest integer value, so minor differences may result upon reconciliation; OMV Petrom uses the National Bank of Romania exchange rates for its consolidation process. Unless specified differently, amounts related to Downstream represent totals of Downstream Oil and Downstream Gas.

² All comparisons described relate to the same quarter in the previous year except where mentioned otherwise

Financial highlights

Q1/19	Q4/18	Q1/18	Δ% ¹	in RON mn	2018
5,420	6,413	4,875	11	Sales ²	22,523
1,227	1,426	958	28	Clean CCS Operating Result ³	4,804
825	794	645	28	Clean Operating Result Upstream ^{3, 4}	3,224
378	514	321	18	Clean CCS Operating Result Downstream ³	1,695
(16)	(29)	(22)	28	Clean Operating Result Co&O ³	(87)
40	147	14	176	Consolidation	(28)
15	17	16	(4)	Clean Group effective tax rate (%)	17
1,056	1,131	752	40	Clean CCS net income ^{3,7}	3,728
1,056	1,131	752	40	Clean CCS net income attributable to stockholders ^{3,6,7}	3,728
0.0186	0.0200	0.0133	40	Clean CCS EPS (RON) ^{3,6,7}	0.0658
1,227	1,426	958	28	Clean CCS Operating Result ³	4,804
23	406	71	(67)	Special items ⁵	223
38	(81)	50	(24)	CCS effects: Inventory holding gains/(losses)	186
1,288	1,751	1,080	19	Operating Result Group	5,213
875	1,134	632	38	Operating Result Upstream ⁴	3,531
567	360	447	27	Operating Result Downstream	1,672
(64)	(37)	(22)	(195)	Operating Result Co&O	(106)
(89)	294	23	n.m.	Consolidation	116
24	(71)	(63)	n.m.	Net financial result	(299)
1,313	1,680	1,017	29	Profit before tax	4,914
12	16	16	(23)	Group effective tax rate (%)	17
1,151	1,411	854	35	Net income	4,078
1,151	1,411	854	35	Net income attributable to stockholders ⁶	4,078
0.0203	0.0249	0.0151	35	EPS (RON) ⁶	0.0720
-	-	-		Dividend/share (RON)	0.027
1,505	1,824	1,796	(16)	Cash flow from operating activities	7,385
666	692	729	(9)	Free cash flow after dividends	2,002
(5,237)	(4,891)	(3,626)	(44)	Net debt/(cash)	(4,891)
826	1,189	843	(2)	Capital expenditure	4,289
15.2	14.3	10.5	44	Clean CCS ROACE (%) ^{3, 7}	14.3
16.5	15.6	10.8	52	ROACE (%)	15.6
12,853	13,201	13,606	(6)	OMV Petrom Group employees at end of period	13,201

¹ Q1/19 vs. Q1/18

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 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 related to field divestments reflected in the financial result.

Outlook for the full year 2019

Market environment

- ▶ For the full year 2019, OMV Petrom expects the **average Brent oil price** to be at USD 65/bbl (2018: USD 71.3/bbl);
- ▶ **Refining margins** are expected to be below USD 6/bbl (2018: USD 6.28/bbl);
- ▶ **Demand for oil products** is expected to be above the 2018 level; **demand for gas and power** is expected to be broadly similar to 2018.

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.

- ▶ At the end of March 2019, the Government approved the Emergency Ordinance no. 19 to amend the Emergency Ordinance 114/2018 following consultation with market players. We consider Emergency Ordinance no. 19 a much-needed development towards the return to a liberalized gas market. According to our preliminary assessment, the net impact of these measures on OMV Petrom Group's 2019 Operating Result is around EUR (40) mn.

OMV Petrom Group

- ▶ We expect to generate a **positive free cash flow after dividends**;
- ▶ **CAPEX** (including capitalized exploration and appraisal) is currently anticipated to be around RON 3.7 bn, of which about 75% in Upstream;
- ▶ **Neptun Deep**: the current legislative environment does not provide the necessary prerequisites for a multi-billion investment decision. We remain keen to see the Black Sea developed and we will continue the dialogue with the authorities to understand the way forward;
- ▶ **Partnership with Auchan**: following the encouraging results of the pilot phase of 15 MyAuchan convenience stores in Petrom-branded filling stations, a Memorandum of Understanding was signed and contractual negotiations are in progress;
- ▶ A **sustainable cost base** supported by ongoing efficiency programs is even more crucial in the context of the current volatile regulatory environment.

Upstream

- ▶ **Production**: is expected to decline by around 5% yoy, excluding portfolio optimization, mainly due to natural decline;
- ▶ **Portfolio optimization**: continue to focus on the most profitable barrels; transfer of nine marginal fields to Mazarine Energy Romania became effective on March 1, 2019; divestment process for further fields ongoing;
- ▶ **Investments**: we plan to drill around 100 new wells and sidetracks and to maintain a constant level of workovers yoy;
- ▶ **Exploration**: exploration expenditures are estimated to be around RON 0.4 bn.

Downstream

- ▶ **The refinery utilization** rate around 95%;
- ▶ **Arad terminal** operational start in Q2/19, thus finalizing the modernization of the storage network;
- ▶ OMV Petrom Group must supply the regulated market with 12.5 TWh of **gas** for the period May – December 2019 at a maximum price of RON 68/MWh; we estimate total gas sales volumes to be higher vs. 2018;
- ▶ The Brazi power plant must supply the regulated market with 1.14 TWh of **power** for the period March – December 2019 at the price of RON 259.58/MWh; we estimate total net electrical output to be lower vs. 2018;
- ▶ **Brazi power plant planned shutdown** in Q2/19: two weeks for full capacity and two weeks for half capacity.

Business segments

First quarter 2019 (Q1/19) vs. first quarter 2018 (Q1/18)

Upstream

- ▶ **Clean Operating Result was positively influenced by FX and gas price**
- ▶ **Daily production decreased by 5.5%, mainly due to natural decline in Romania and lower production in Kazakhstan**
- ▶ **OPEX of USD 11.66/boe reflects favorable FX effects and continuous cost management**

Clean Operating Result improved to RON 825 mn, mainly driven by higher gas prices and favorable FX, lower depreciation and exploration expenses, which compensated for the lower oil and gas volumes, lower crude quotations and higher royalties.

In Q1/19 **Reported Operating Result** was impacted by special items, mainly with regard to fields divested (closing of the deal with Mazarine Energy Romania for the nine marginal fields achieved on March 1, 2019), while both quarters include personnel restructuring.

Group **production cost** (OPEX) in USD/boe was 2% lower than in Q1/18, mainly due to favorable FX, partially offset by lower production available for sale and higher electricity cost. Our continuous cost management initiatives partly offset the increases in wages and inflation. In Romania, production cost in USD/boe decreased by 2% to USD 11.67/boe, while in RON terms, it increased to RON 48.66/boe, 8% above the Q1/18 level due to lower production available for sale.

Group hydrocarbon production decreased by 5.5% due to natural decline in Romania and a pause in well interventions and workover activities in Kazakhstan in 2018.

In **Romania**, daily hydrocarbon production was 147.9 kboe/d, down 5% yoy. Total production stood at 13.3 mn boe. Crude oil and NGL production in Romania was 6.0 mn bbl, broadly in line with Q1/18, mainly reflecting natural decline, which was almost compensated by the contribution of new wells. Gas production in Romania was 7.3 mn boe, 8% lower than Q1/18, being influenced by natural decline, surface maintenance works and unplanned workovers.

In **Kazakhstan**, total production amounted to 5.3 kboe/day or 0.48 mn boe, 19% lower compared to the same period of 2018 following a pause in well interventions and workover activities in 2018.

In Q1/19, we finalized the drilling of 21 new wells and sidetracks.

Group hydrocarbon **sales volumes** decreased by 5% compared to Q1/18, due to lower sales both in Romania and Kazakhstan.

Exploration expenses decreased to RON 19 mn as Q1/18 figure was impacted by write-offs of unsuccessful exploration wells.

Investments in Upstream activities were RON 650 mn and included sustained development and exploration drilling as well as workover activities.

Exploration expenditures increased to RON 93 mn as a result of the increased drilling activities.

Downstream

- ▶ **Downstream Oil: Clean CCS Operating Result at RON 221 mn, 9% lower, with strong operational performance, partly offsetting the weaker refining margins**
- ▶ **Downstream Gas: higher result, built on better power market conditions**

The **Clean CCS Operating Result** increased to RON 378 mn in Q1/19 (Q1/18: RON 321 mn), due to the higher results of the Downstream Gas segment, compensating for the marginally lower Downstream Oil result. The **Reported Operating Result** of RON 567 mn was higher yoy and reflected **positive CCS effects** of RON 167 mn, due to higher crude quotations towards the end of the quarter, and a **special income** of RON 22 mn (mainly from the reversal of a provision).

In Q1/19, **Downstream Oil Clean CCS Operating Result** decreased to RON 221 mn, mainly reflecting the unfavorable refining margin development, partly counterbalanced by improved operational performance.

OMV Petrom indicator refining margin decreased yoy by USD 2.94/bbl to USD 3.62/bbl in Q1/19, mainly due to significantly lower gasoline spread. The **refinery utilization rate** was 96% (Q1/18: 94%), reflecting the increased domestic demand and seized market opportunities.

Total refined product sales were 5% higher compared to Q1/18. Group retail sales volumes, which accounted for 52% of total refined product sales, increased by 6% yoy as a result of higher demand. The Retail result was also supported by the increased non-oil business contribution. Q1/19 non-retail sales volumes increased by 5% yoy as a result of market opportunities being seized.

Downstream Gas Clean Operating Result increased to RON 157 mn in Q1/19, from RON 78 mn in Q1/18, due to improved performance in the power and gas business, enabled by better market conditions.

As per OMV Petrom's estimates, national **gas** demand decreased by around 4% yoy due to warmer weather. On the Romanian centralized markets, where liquidity was lower due to regulatory uncertainty at the beginning of the year, the weighted average price of natural gas for transactions closed in Q1/19 (0.2 TWh^{3,4}), with delivery until Q2/19, was RON 122.5/MWh^{3,4}.

OMV Petrom's gas sales volume decreased by 14% in Q1/19 yoy, due to decreasing equity gas production and lower gas volumes available in storage at the beginning of Q1/19 vs. Q1/18. At the end of Q1/19, OMV Petrom had 0.3 TWh of gas in storage, similar to Q1/18.

As per currently available information from the grid operator, national **electricity** demand decreased by 3%, while national production was lower by 11% yoy; as such, Romania was a net power importer in Q1/19.

OMV Petrom's net electrical output was 1.08 TWh in Q1/19, 21% higher vs. Q1/18, as the Brazi power plant was functional at full capacity and benefited from higher spark spreads driven by supportive baseload power prices.

Total Downstream investments amounted to RON 168 mn (Q1/18: RON 190 mn) and were directed mainly to Downstream Oil, primarily for compliance projects in Petrobrazi refinery. In addition, the new Polyfuel unit in Petrobrazi refinery started production in March.

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³ OMV Petrom estimates based on available public information.

⁴ The gas price for transactions on the Romanian centralized markets refers to various products in terms of storage costs, flexibility and timing.