

OMV Petrom Factsheet

February 6, 2019

OMV Petrom S.A.

Highlights Q4/18

- ▶ Clean CCS Operating Result at RON 1.4 bn, more than double yoy
- ▶ Free cash flow after dividends at RON 0.7 bn
- ▶ Clean CCS ROACE at 14.3%

Dividend proposal 2018¹: RON 0.0270/share, up 35% yoy.

Financial highlights

Q4/18	Q3/18	Q4/17	Δ% ²	in RON mn	2018	2017	Δ%
6,413	6,260	5,142	25	Sales ³	22,523	19,435	16
1,426	1,685	573	149	Clean CCS Operating Result⁴	4,804	3,273	47
794	965	340	134	Clean Operating Result Upstream ^{4,5}	3,224	1,674	93
514	639	360	43	Clean CCS Operating Result Downstream ⁴	1,695	1,753	(3)
(29)	(18)	(28)	(5)	Clean Operating Result Co&O ⁴	(87)	(74)	(17)
147	98	(99)	n.m.	Consolidation	(28)	(80)	65
17	16	1	n.m.	Clean Group effective tax rate (%)	17	14	22
1,131	1,383	434	161	Clean CCS net income ^{4,8}	3,728	2,487	50
1,131	1,382	434	161	Clean CCS net income attributable to stockholders^{4,7,8}	3,728	2,488	50
0.0200	0.0244	0.0077	161	Clean CCS EPS (RON) ^{4,7,8}	0.0658	0.0439	50
1,426	1,685	573	149	Clean CCS Operating Result⁴	4,804	3,273	47
406	(63)	145	180	Special items ⁶	223	(105)	n.m.
(81)	59	103	n.m.	CCS effects: Inventory holding gains/(losses)	186	102	82
1,751	1,681	820	113	Operating Result Group	5,213	3,270	59
1,134	951	442	156	Operating Result Upstream ⁵	3,531	1,661	113
360	651	540	(33)	Operating Result Downstream	1,672	1,768	(5)
(37)	(19)	(28)	(31)	Operating Result Co&O	(106)	(76)	(39)
294	98	(134)	n.m.	Consolidation	116	(82)	n.m.
(71)	(30)	(134)	47	Net financial result	(299)	(366)	18
1,680	1,650	686	145	Profit before tax	4,914	2,904	69
16	16	6	149	Group effective tax rate (%)	17	14	19
1,411	1,379	642	120	Net income	4,078	2,489	64
1,411	1,379	642	120	Net income attributable to stockholders⁷	4,078	2,491	64
0.0249	0.0243	0.0113	120	EPS (RON) ⁷	0.0720	0.0440	64
-	-	-	-	Dividend/share (RON)	0.027 ¹	0.020	35
1,824	2,376	1,508	21	Cash flow from operating activities	7,385	5,954	24
692	1,217	664	4	Free cash flow after dividends	2,002	2,666	(25)
(4,891)	(4,205)	(2,897)	(69)	Net debt/(cash)	(4,891)	(2,897)	(69)
1,189	998	1,246	(5)	Capital expenditure	4,289	2,969	44
14.3	11.8	9.8	45	Clean CCS ROACE (%) ^{4,8}	14.3	9.8	45
15.6	12.9	9.9	59	ROACE (%)	15.6	9.9	59
13,201	13,249	13,790	(4)	OMV Petrom Group employees at end of period	13,201	13,790	(4)

¹ Subject to approval by the Supervisory Board and the General Meeting of Shareholders.

² Q4/18 vs. Q4/17

³ Sales excluding petroleum excise tax.

⁴ 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).

⁵ Excluding intersegmental profit elimination shown in the line "Consolidation".

⁶ 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.

⁷ After deducting net result attributable to non-controlling interests.

⁸ Excludes additional special income from a legal dispute 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;
- ▶ **Refining margins** are expected to be at a similar level as in 2018;
- ▶ **Demand for oil products, 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.

- ▶ The Offshore Law entered into force in mid-November 2018;
- ▶ At the end of 2018, the Government approved the Emergency Ordinance no. 114, introducing measures impacting several sectors. The main aspects impacting our business include regulated gas and power pricing over a three-year period and an increased financial contribution applied to the gas and electricity turnover. We are currently assessing the impact on our operations, as secondary legislation is still to be issued.

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, we are looking forward to extend the partnership;
- ▶ 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; closing the transfer of nine fields, as agreed with Mazarine Energy Romania in September 2018; divestment process for further fields ongoing;
- ▶ **Investments**: drill around 100 new wells and sidetracks and maintain a constant level of workovers yoy;
- ▶ **Exploration**: exploration expenditures are estimated to be around RON 380 mn.

Downstream

- ▶ **The refinery utilization** rate of around 94%;
- ▶ Relatively similar **gas sales volumes** and higher **net electrical output** vs. 2018;
- ▶ Brazi power plant **planned shutdown** in Q2/19: two weeks for full capacity and two weeks for half capacity.

Business segments Q4/18 vs. Q4/17

Upstream

- ▶ **Clean Operating Result more than doubled, supported by higher oil and gas prices**
- ▶ **Daily production decreased by 5%, mainly due to natural decline and surface works in Romania**
- ▶ **OPEX of USD 10.73/boe reflects lower personnel costs and favorable FX effects**

Clean Operating Result improved to RON 794 mn, mainly driven by higher oil and gas prices, lower production costs and lower exploration expenses, which compensated for the lower oil and gas volumes and higher royalties.

In Q4/18 **Reported Operating Result** was impacted by special items, mainly the reversal of previously recorded impairment, while both quarters include reassessment of provisions.

Group **production cost** (OPEX) in USD/boe was 14% lower than in Q4/17, mainly due to lower personnel costs and favorable FX, partially offset by lower production available for sale. In Romania, production cost in USD/boe decreased by 9% to USD 11.23/boe, while in RON terms, it decreased to RON 45.86/boe, 6% below the Q4/17 level. The production cost in Q4/17 was impacted by one-time personnel-related expenses following the conclusion of the Collective Labor Agreement.

Group hydrocarbon production decreased by 5% due to natural decline and surface works in Romania (Hurezani area).

In **Romania**, daily hydrocarbon production was 150.2 kboe/d, down 5% yoy. Total production stood at 13.8 mn boe. Crude oil and NGL production in Romania was 6.17 mn bbl, broadly in line with Q4/17. This mainly reflected natural decline, which was almost compensated by the contribution from new wells. Gas production in Romania was 7.66 mn boe, 9% lower than Q4/17, being influenced by natural decline, surface maintenance works in the Hurezani area and unplanned shut-downs of gas facilities.

In **Kazakhstan**, total production amounted to 0.57 mn boe, 2% higher compared to the same period of 2017.

Group hydrocarbon **sales volumes** decreased by 7% compared to Q4/17, as the lower sales in Romania could not be compensated by the slight sales increase in Kazakhstan.

Exploration expenses decreased to RON 81 mn as a result of lower write-offs of unsuccessful exploration wells.

Investments in Upstream activities were 5% below the Q4/17 level, mainly due to fewer facilities projects and equipment deliveries, and a lower number of Fields Redevelopments in execution; these were partially compensated by higher drilling and workover activities.

Exploration expenditures increased to RON 153 mn as a result of the increased drilling activities, mainly for deep onshore exploration wells.

Downstream

- ▶ **Downstream Oil: Clean CCS Operating Result increased by 11% driven by higher retail contribution offsetting the deteriorated refining margin environment; retail volumes up 3%**
- ▶ **Downstream Gas: significantly higher result, mainly on improved power business performance**

The **Clean CCS Operating Result** increased to RON 514 mn in Q4/18 (Q4/17: RON 360 mn), due to the higher results of both Downstream Oil and Downstream Gas segments. The **Reported Operating Result** of RON 360 mn, was lower yoy and reflected **negative CCS effects** of RON (227) mn due to lower crude quotations towards the end of the quarter and a **special income** of RON 73 mn (mainly from the valuation of electricity forward contracts).

In Q4/18, **Downstream Oil Clean CCS Operating Result** increased to RON 354 mn, supported by the higher retail result, in spite of the unfavorable refining margin development.

OMV Petrom indicator refining margin decreased yoy by USD 0.89/bbl to USD 5.27/bbl in Q4/18, due to the higher cost for crude consumed and lower product spreads, mainly for gasoline. The **refinery utilization rate** was 99% (Q4/17: 91%), reflecting the temporarily higher throughput run after the refinery turnaround in Q2/18 and in order to capture the increased domestic demand.

Total refined product sales were 7% higher compared to Q4/17. Group retail sales volumes, which accounted for 52% of total refined product sales, increased by 3% yoy as a result of higher demand. The Retail result was also supported by the increased non-oil business contribution. Q4/18 non-retail sales volumes increased by 11% yoy as a result of market opportunities being seized.

Downstream Gas Clean Operating Result increased to RON 160 mn in Q4/18, from RON 41 mn in Q4/17, mainly due to improved performance of the power business, enabled by better market conditions and the full availability of the Brazi power plant in Q4/18. The Q4/18 result also included RON 34 mn insurance revenues related to the Brazi power plant, following the finalization of the negotiations with the insurer.

As per OMV Petrom's estimates, national **gas** demand increased by around 2% yoy due to colder weather. On the Romanian centralized markets, the weighted average price of natural gas for transactions closed in Q4/18 (21.5 TWh¹), with delivery until end-2019, was RON 114/MWh^{1,2}.

In Q4/18, OMV Petrom's gas sales volume decreased by 4% yoy, due to lower equity production. On the centralized markets, OMV Petrom sold 5.4 TWh in Q4/18, with delivery until end-2019, at an average price in line with the market price. At the end of Q4/18, OMV Petrom had 1.9 TWh of gas in storage.

As per currently available information from the grid operator, national **electricity** demand increased by 2%, while national production was lower by 3% yoy; net exports decreased significantly.

The net electrical output was 1.48 TWh in Q4/18, 40% higher vs. Q4/17, as the Brazi power plant was functional at full capacity and benefited from higher spark spreads.

Total Downstream investments amounted to RON 276 mn (Q4/17: RON 283 mn) and were directed to Downstream Oil, primarily in the retail network and for ongoing projects in Petrobrazi refinery.

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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.