

OMV Petrom Group Factsheet Q4/19

February 6, 2020

OMV Petrom S.A.

Highlights Q4/19¹

Group

- ▶ Clean CCS Operating Result at RON 1.1 bn, 21% lower
- ▶ Clean CCS net income attributable to stockholders at RON 938 mn, down 17%
- ▶ Cash flow from operating activities at RON 1.8 bn, 3% lower
- ▶ CAPEX at RON 1.4 bn, up 20%
- ▶ Clean CCS ROACE at 13.8%, 0.5 pp lower
- ▶ Dividend proposal 2019²: RON 0.031/share, up 15%

Upstream

- ▶ Clean Operating Result at RON 700 mn, down 12%, mainly driven by lower oil prices and higher depreciation
- ▶ Managed production decline at 3%, supported by tie in of the 4461 Totea South exploration well
- ▶ Reduced OPEX to USD 10.3/boe despite production decline, due to favorable exchange rate and further improved operational efficiencies

Downstream Oil

- ▶ Clean CCS Operating Result at RON 362 mn, up 2%, due to strong operational performance offsetting the impact of a deteriorated refining margin environment
- ▶ OMV Petrom indicator refining margin at USD 4.68/bbl, down 11%
- ▶ Strong refinery utilization rate of 98%; retail volumes up 3%

Downstream Gas

- ▶ Clean Operating Result at RON 85 mn, down 47% (Q4/18 included Brazi power plant insurance revenues)
- ▶ Gas sales volumes up 54%, built on third party supply; net electrical output at 1.26 TWh, 15% down in the context of slightly negative spark spreads
- ▶ In Q4/19, OMV Petrom supplied the regulated markets with 5.07 TWh of gas and 0.47 TWh of power, as per the set allocations

Key events

- ▶ In line with our regional expansion strategy, on December 17, OMV Petrom signed a contract to acquire OMV Offshore Bulgaria GmbH, which holds a 30% stake in the Han Asparuh exploration license. Closing of the transaction is subject to certain conditions precedent and is expected by mid-2020.
- ▶ In January 2020, OMV Petrom S.A. reached an agreement for the transfer of 40 marginal onshore oil and gas fields in Romania to Dacian Petroleum S.R.L. The transfer is part of the portfolio optimization program, which aims to streamline operations and focuses on the core and most profitable fields. The 40 fields to be transferred have a cumulated oil and gas production of approximately 1,700 boe/day, representing roughly 1% of OMV Petrom's production.

¹ All comparisons described relate to the same quarter in the previous year except where mentioned otherwise.

² Subject to approval by the Supervisory Board and the General Meeting of Shareholders.

Financial highlights

Q4/19	Q3/19	Q4/18	Δ% ¹	in RON mn	2019	2018	Δ%
7,296	6,869	6,413	14	Sales ²	25,485	22,523	13
1,120	1,228	1,426	(21)	Clean CCS Operating Result ³	4,573	4,804	(5)
700	546	794	(12)	Clean Operating Result Upstream ^{3, 4}	2,845	3,224	(12)
447	637	514	(13)	Clean CCS Operating Result Downstream ³	1,783	1,695	5
(30)	(21)	(29)	(3)	Clean Operating Result Co&O ³	(89)	(87)	(3)
4	66	147	(97)	Consolidation	34	(28)	n.m.
15	16	17	(8)	Clean Group effective tax rate (%)	16	17	(8)
938	1,024	1,131	(17)	Clean CCS net income ^{3, 7}	3,864	3,728	4
938	1,024	1,131	(17)	Clean CCS net income attributable to stockholders ^{3, 6, 7}	3,863	3,728	4
0.0166	0.0181	0.0200	(17)	Clean CCS EPS (RON) ^{3, 6, 7}	0.0682	0.0658	4
1,120	1,228	1,426	(21)	Clean CCS Operating Result ³	4,573	4,804	(5)
(89)	(246)	406	n.m.	Special items ⁵	(370)	223	n.m.
17	(44)	(81)	n.m.	CCS effects: Inventory holding gains/(losses)	42	186	(77)
1,049	939	1,751	(40)	Operating Result Group	4,245	5,213	(19)
496	512	1,134	(56)	Operating Result Upstream ⁴	2,589	3,531	(27)
605	383	360	68	Operating Result Downstream	1,913	1,672	14
(38)	(28)	(37)	(2)	Operating Result Co&O	(156)	(106)	(48)
(14)	72	294	n.m.	Consolidation	(102)	116	n.m.
(8)	(13)	(71)	89	Net financial result	32	(299)	n.m.
1,041	926	1,680	(38)	Profit before tax	4,277	4,914	(13)
16	15	16	-	Group effective tax rate (%)	15	17	(12)
875	785	1,411	(38)	Net income	3,635	4,078	(11)
875	785	1,411	(38)	Net income attributable to stockholders ⁶	3,635	4,078	(11)
0.0154	0.0139	0.0249	(38)	EPS (RON) ⁶	0.0642	0.0720	(11)
-	-	-	-	Dividend/share	0.031 ⁸	0.027	15
1,775	2,094	1,824	(3)	Cash flow from operating activities	6,803	7,385	(8)
734	1,383	692	6	Free cash flow after dividends	1,730	2,002	(14)
(5,982)	(5,394)	(4,891)	(22)	Net debt/(cash)	(5,982)	(4,891)	(22)
1,432	1,079	1,189	20	Capital expenditure	4,225	4,289	(2)
13.8	14.7	14.3	(4)	Clean CCS ROACE (%) ^{3, 7}	13.8	14.3	(4)
12.9	15.1	15.6	(17)	ROACE (%)	12.9	15.6	(17)
12,347	12,611	13,201	(6)	OMV Petrom Group employees end of period	12,347	13,201	(6)

¹ Q4/19 vs. Q4/18

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.

⁸ Subject to approval by the Supervisory Board and the General Meeting of Shareholders.

Outlook for the full year 2020

Market environment

- ▶ For the full year 2020, OMV Petrom expects the **average Brent oil price** to be at USD 60/bbl (2019: USD 64/bbl);
- ▶ **Refining margins** are expected to be above USD 5/bbl;
- ▶ **Demand for oil products** is expected to be above the 2019 level; **demand for gas and power** is expected to be broadly similar to 2019.

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 of GEO 114/2018 and GEO 19/2019, providing for a faster return to a liberalized market, have already been implemented via GEO 1/2020; the changes refer to the timing of the price liberalization: as of July 1, 2020 for gas and January 1, 2021 for electricity; in addition, the 2% financial contribution to ANRE was repealed starting January 1, 2020;
- ▶ According to public statements, the Romanian authorities are working on changing the Offshore Law through a parliamentary process.

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 4.2 bn, excluding acquisitions;
- ▶ **Neptun Deep**: we remain keen to see the Neptun Deep strategic project being developed and we welcome the acceleration of the return to a liberalized market brought by the GEO 1/2020. However, changes to the Offshore Law are needed in order to move the project forward;
- ▶ **Partnership with Auchan**: contractual negotiations ongoing;
- ▶ A **sustainable cost base**, supported by ongoing efficiency programs, is important in the context of the current market volatility and challenging regulatory environment;
- ▶ In order to protect our cash flows and margins from commodity price risk, we use various **hedging products**, especially in Downstream;
- ▶ We are focused on energy efficiency and decreasing the emissions from our operations; we target to reduce carbon intensity by 27% until 2025 vs. 2010 (2019 reduction estimated at 22%).

Upstream

- ▶ **Production**: maintain decline below 5% yoy, excluding portfolio optimization;
- ▶ **Portfolio optimization**: continue to focus on the most profitable barrels:
 - ▶ transfer 40 marginal fields to Dacian Petroleum, closing expected in H2/20;
 - ▶ simplify footprint and focus on our strategic assets.
- ▶ **Investments**: around RON 3.0 bn to be spent for:
 - ▶ drilling around 100 new wells and sidetracks and maintain a constant level of workovers yoy;
 - ▶ near field and EOR opportunities to improve ultimate recovery factors;
- ▶ **Exploration**: exploration expenditures are estimated to be around RON 0.3 bn:
 - ▶ complete 1,400 km² of 3D seismic survey in the exploration block VIII-Urziceni East together with Hunt Oil Company of Romania S.R.L. as operator;
 - ▶ evaluate potential of drilled exploration wells;
- ▶ **Regional expansion**: closing of the **acquisition of Han Asparuh** offshore Bulgaria interest expected by mid-2020.

Downstream

- ▶ **The refinery utilization** rate is expected to be above 90%, including a two-week planned shutdown in Q2 for maintenance works;
- ▶ OMV Petrom Group has an allocation to supply the regulated **gas** market with 5.5 TWh for the period January - March 2020 at the maximum price of RON 68/MWh; the regulated gas volumes for Q2/20 are still to be announced; we estimate total gas sales volumes to be slightly lower vs. 2019;
- ▶ The Brazi power plant is no longer required to supply the regulated **power** market in 2020, as per current allocation; we estimate total net electrical output to be slightly lower vs. 2019;
- ▶ Brazi power plant planned shutdown in Q2: two weeks for the entire capacity.

Business segments

Fourth quarter 2019 (Q4/19) vs. fourth quarter 2018 (Q4/18)

Upstream

- ▶ **Clean Operating Result** at RON 700 mn, down 12%, mainly driven by lower oil prices and higher depreciation
- ▶ **Managed production decline** at 3%, supported by tie in of the exploration well 4461 Totea South; reduced decline of sales volumes to 1%
- ▶ **Reduced OPEX** to USD 10.29/boe despite production decline, due to favorable exchange rate and further improved operational efficiencies

The **Clean Operating Result** decreased by 12% to RON 700 mn mainly driven by lower oil prices and higher depreciation. These were partly compensated by favorable FX effects (USD 5% stronger against RON) and higher gas prices.

In Q4/19, **special items** amounted to RON (204) mn, mainly due to an impairment of assets held for sale. The **Reported Operating Result** declined by 56% to RON 496 mn.

Group **production costs** (OPEX) in USD/boe improved by 4% to USD 10.29/boe, mainly due to favorable FX effect that compensated the impact from lower production available for sale. In Romania, production costs in USD improved by 4% to USD 10.78/boe, while in RON terms they were RON 46.39/boe, relatively stable vs. Q4/18.

Group hydrocarbon production decreased by 3.0% due to lower production in Romania.

In **Romania**, hydrocarbon production was 13.31 mn boe or 144.7 kboe/d (Q4/18: 13.82 mn boe or 150.2 kboe/d). Crude oil and NGL production in Romania declined by 1.7% to 6.06 mn bbl mainly due to natural decline and the transfer of nine marginal fields to Mazarine Energy Romania in March 2019. Gas production in Romania decreased by 5.3% to 7.25 mn boe due to natural decline in the main fields (Totea Deep and Lebada East) and the impact of maintenance activities, partly compensated by the contribution of the exploration well 4461 Totea South, which started production in October 2019.

In **Kazakhstan**, hydrocarbon production increased by 14.4% to 0.65 mn boe mainly due to restart of well interventions and workover activities in 2019, after the pause in 2018.

Group hydrocarbon sales volumes decreased by 1% due to the production decrease, partly compensated by lower own consumption.

Exploration expenditures decreased to RON 105 mn due to lower exploration drilling activity, partially counterbalanced by seismic acquisition in VIII - Urziceni East block.

Exploration expenses decreased to RON 49 mn due to lower write-off of exploration wells, partially counterbalanced by seismic acquisition in VIII - Urziceni East block.

Capital expenditure including capitalized E&A increased by 9% mainly due to recognition of assets under IFRS 16 Leases for a long-term contract.

Downstream

- ▶ **Downstream Oil: Clean CCS Operating Result** at RON 362 mn, up 2%, due to strong operational performance offsetting the impact of a deteriorated refining margin environment; retail sales volumes up by 3%
- ▶ **Downstream Gas: Very strong gas sales performance, successfully covering all customer channels**

The **Clean CCS Operating Result** declined to RON 447 mn in Q4/19 (Q4/18: RON 514 mn), reflecting a weaker Downstream Gas result and a slight increase of the Downstream Oil result. The **Reported Operating Result** of RON 605 mn reflected a **special gain** of RON 123 mn (mainly consisting of temporary positive effects from forward contracts in Downstream Gas) and positive **CCS effects** of RON 35 mn (mainly due to increasing crude quotations during the quarter).

In Q4/19, the **Downstream Oil Clean CCS Operating Result** increased slightly, to RON 362 mn (Q4/18: RON 354 mn), supported by strong operational performance and increased demand for refined products, despite a deteriorating refining margin environment.

The **OMV Petrom indicator refining margin** decreased by USD 0.59/bbl, to USD 4.68/bbl in Q4/19, as a result of lower product spreads, partially compensated by the lower cost of crude consumed. The **refinery utilization rate** was 98% in Q4/19 (Q4/18: 99%).

Total **refined product sales** volumes were higher by 4% vs. Q4/18, reflecting the increased demand in retail and higher exports. Group retail sales volumes, which accounted for 51% of total refined product sales, increased by

3% compared to Q4/18 as a result of higher demand, particularly in Romania. Higher exports led to a 6% yoy increase in non-retail sales.

The Downstream Gas Clean Operating Result was RON 85 mn in Q4/19, reflecting a weaker power performance, partially compensated by a better gas performance driven by higher gas sales volumes; for comparison, the Q4/18 result was RON 160 mn, including the booking of RON 34 mn insurance revenues related to the Brazi power plant.

As per OMV Petrom's estimates, national **gas** consumption decreased by almost 14% compared to the same quarter of last year. On the Romanian centralized markets, the weighted average price of natural gas for transactions closed in Q4/19 (15.5 TWh) for various standard products was RON 101/MWh^{3,4}.

In Q4/19, OMV Petrom's total gas sales volumes increased by 54% yoy to 19.85 TWh and the gas sales volumes sold to third parties were 76% higher vs. Q4/18; enabled by third-party supply, OMV Petrom successfully maintained its customer portfolio in the context of the regulated market allocation and centralized market obligation. At the end of Q4/19, OMV Petrom had 3.0 TWh in underground storage, compared to 1.9 TWh at the end of Q4/18.

OMV Petrom supplied the gas regulated market, delivering 5.07 TWh to the households and district heating for households suppliers in Q4/19, as per the set allocation. In addition, on the centralized markets, OMV Petrom sold 3.0 TWh in standard products in Q4/19 at an average price in line with the market price⁴.

As per currently available information from the grid operator, national **electricity** consumption decreased by 3% compared to the same quarter of 2018, while national production decreased by 9%, mainly driven by the lower contribution from coal and gas-fired plants, thus Romania was a net power importer in Q4/19.

The Brazi power plant generated a lower net electrical output than in Q4/18 of 1.26 TWh (Q4/18: 1.48 TWh), of which 0.47 TWh were supplied to the regulated power market at the price of RON 259.58/MWh.

Total **Downstream investments** amounted to RON 430 mn (Q4/18: RON 276 mn), almost all amounts spent in the Downstream Oil segment in both Q4/19 and Q4/18. The Q4/19 investments were directed mostly to Retail (mainly Art Petrol network acquisition in Romania) and to a new terminal in Serbia, while Q4/18 investments were routed primarily in the retail network and for ongoing projects in Petrobrazi refinery.

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³ OMV Petrom estimates based on available public information

⁴ Standard products refers to all products offered on the BRM and OPCOM trading platforms i.e. weekly products, monthly products, quarterly products, gas-year products etc. and the price could include storage related tariffs in connection with the gas volumes sold/extracted from storage