

# OMV Petrom Q4/19 Results

## Christina Verchere, CEO

February 6, 2020



**OMV Petrom**  
The energy for a better life.

# Legal Disclaimer

---

This presentation does not, and is not intended to, constitute or form part of, and should not be construed as, constituting or forming part of, any actual offer to sell or issue, or any solicitation of any offer to purchase or subscribe for, any shares issued by the Company or any of its subsidiaries in any jurisdiction or any inducement to enter into investment activity; nor shall this document or any part of it, or the fact of it being made available, form the basis of, or be relied on in any way whatsoever. No part of this presentation, nor the fact of its distribution, shall form part of or be relied on in connection with any contract or investment decision relating thereto; nor does it constitute a recommendation regarding the securities issued by the Company. The information and opinions contained in this presentation and any other information discussed in this presentation are provided as at the date of this presentation and are therefore of a preliminary nature, have not been independently verified and may be subject to updating, revision, amendment or change without notice. Where this presentation quotes any information or statistics from any external source, it should not be interpreted that the Company has adopted or endorsed such information or statistics as being accurate.

No reliance may be placed for any purpose whatsoever on the information contained in this presentation, or any other material discussed verbally. No representation or warranty, express or implied, is given as to the accuracy, fairness or currentness of the information or the opinions contained in this document or on its completeness and no liability is accepted for any such information, for any loss howsoever arising, directly or indirectly, from any use of this presentation or any of its content or otherwise arising in connection therewith.

This presentation may contain forward-looking statements. These statements reflect the Company's current knowledge and its expectations and projections about future events and may be identified by the context of such statements or words such as "anticipate," "believe", "estimate", "expect", "intend", "plan", "project", "target", "may", "will", "would", "could" or "should" or similar terminology. By their nature, forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond the Company's control that could cause the Company's actual results and performance to differ materially from any expected future results or performance expressed or implied by any forward-looking statements.

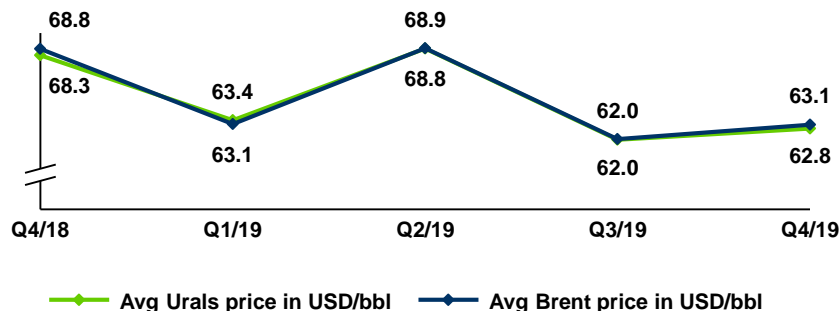
None of the future projections, expectations, estimates or prospects in this presentation should in particular be taken as forecasts or promises nor should they be taken as implying any indication, assurance or guarantee that the assumptions on which such future projections, expectations, estimates or prospects have been prepared or the information and statements contained herein are accurate or complete. As a result of these risks, uncertainties and assumptions, you should in particular not place reliance on these forward-looking statements as a prediction of actual results or otherwise. This presentation does not purport to contain all information that may be necessary in respect of the Company or its shares and in any event each person receiving this presentation needs to make an independent assessment.

The Company undertakes no obligation publicly to release the results of any revisions to any forward-looking statements in this presentation that may occur due to any change in its expectations or to reflect events or circumstances after the date of this presentation.

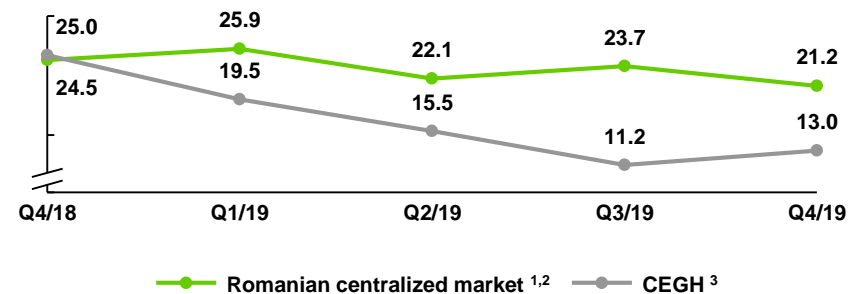
This presentation and its contents are proprietary to the Company and neither this document nor any part of it may be reproduced or redistributed to any other person.

# Economic environment

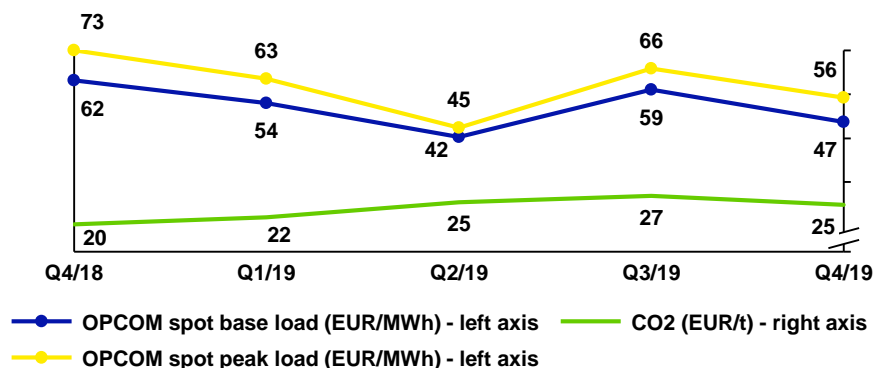
## Oil price (USD/bbl)



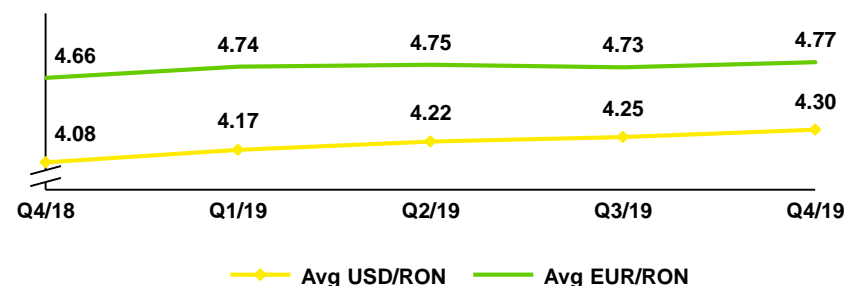
## Gas prices (EUR/MWh)<sup>1</sup>



## Power prices in Romania<sup>1</sup> and CO<sub>2</sub> prices



## FX (RON/USD and RON/EUR)



<sup>1</sup> Prices translated at NBR average RON/EUR rate; <sup>2</sup> All transactions concluded on the Romanian commodities exchanges (BRM and OPCOM) in the respective quarter; includes various products in terms of storage costs, flexibility and timing; <sup>3</sup> Day-ahead market Central European Gas Hub

# Romanian environment

## Macroeconomic environment

**2019e GDP growth<sup>1</sup>:** +3.9% yoy

**Q3/19 GDP growth<sup>2</sup>:** +3.2% yoy

**CPI annual inflation:** Dec 19/Dec 18: 4.04%; Q4/19: 1.08%

### Demand:

	2019 yoy	Q4/19 yoy
Fuels <sup>3</sup>	+5.8%	+5.7%
Gas <sup>4</sup>	-6%	-14%
Power <sup>5</sup>	-1%	-3%

## Fiscal and regulatory framework

### Government Emergency Ordinance no. 1/2020:

- 2% fee on gas and power turnover eliminated starting Jan 2020
- faster return to a liberalized market for gas (July 2020) and power (Jan 2021)

<sup>1</sup> World Bank, January 2020; <sup>2</sup> Romanian National Institute of Statistics; <sup>3</sup> Fuels refer only to retail diesel and gasoline; OMV Petrom estimates based on Romanian National Institute of Statistics data; <sup>4</sup> According to company estimates; <sup>5</sup> According to preliminary data available from the grid operator



# Key messages Q4/19

## Financial performance



### Clean CCS Operating result

RON 1.1 bn



### Operating Cash Flow

RON 1.8 bn



### Clean CCS ROACE

13.8%



### Dividend proposal <sup>1</sup>

RON 1.8 bn

## Operational highlights



### Upstream:

- ▶ Shallow offshore drilling campaign finalized, 3 producing wells
- ▶ Large 3D seismic acquisition survey in Urziceni East block ongoing

### Downstream Oil:

- ▶ Excellent operational performance
- ▶ Production of IMO 2020 compliant marine fuel oil started in Petrobrazil



### Downstream Gas:

- ▶ Increased gas trading and diversified supply to cover extended sale portfolio

## Strategic highlights



### Black Sea:

- ▶ Regional expansion into exploration offshore Bulgaria
- ▶ Changes to the Offshore Law are needed in order to move the Neptun Deep project forward; committed to dialogue with the authorities on the way forward

## HSSE

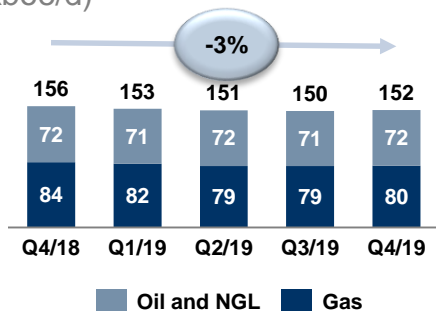
LTIR<sup>2</sup> 2019: 0.31; GHG<sup>3</sup> intensity 2019: -22% vs. 2010

<sup>1</sup> Executive Board's proposal subject to approvals of the Supervisory Board and Annual General Meeting of Shareholders on April 27, 2020; <sup>2</sup> Lost time injury rate (employees and contractors) for OMV Petrom Group; <sup>3</sup> Greenhouse gases

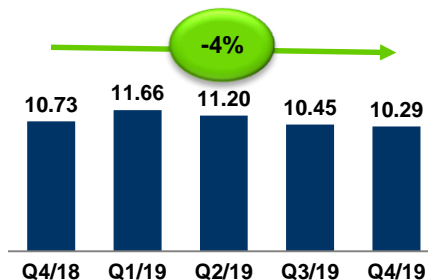
# Operational KPIs

## Upstream

### Hydrocarbon production (kboe/d)

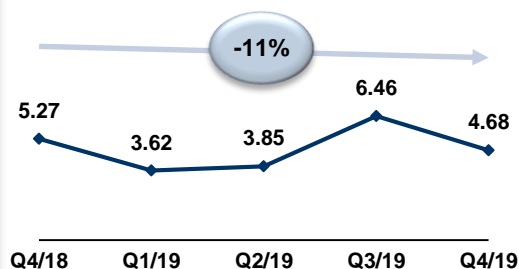


### OPEX (USD/boe)

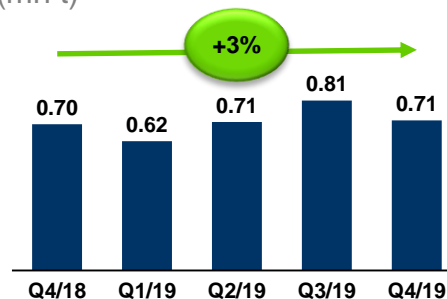


## Downstream Oil

### OMV Petrom Indicator refining margin (USD/bbl)

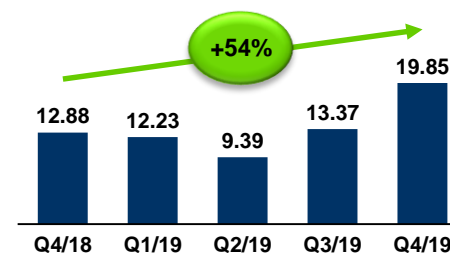


### Retail sales volumes (mn t)

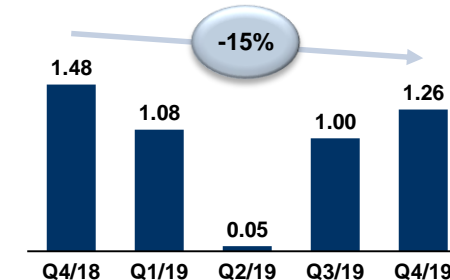


## Downstream Gas

### Gas sales volumes (TWh)

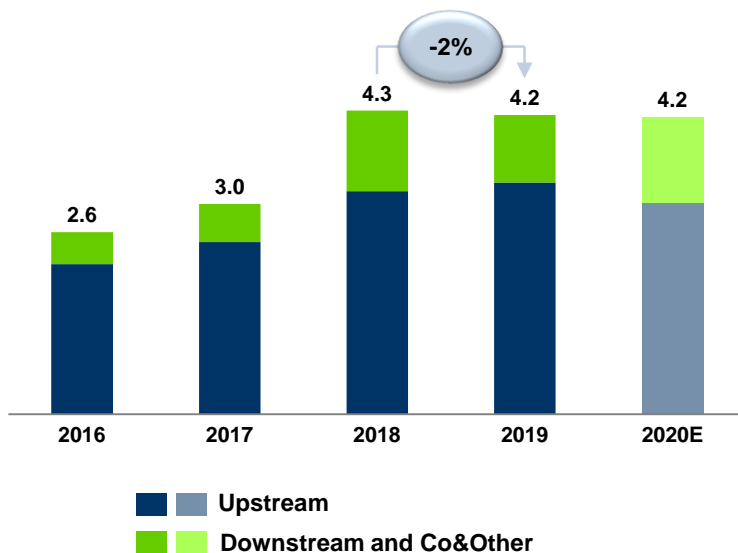


### Net electrical output (TWh)



# CAPEX and E&A

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



## CAPEX incl. capitalized E&A

- ▶ **2019** at RON 4.2 bn:
  - ▶ 100 new wells and sidetracks
  - ▶ ~900 workovers
  - ▶ Shallow offshore drilling campaign
  - ▶ Coker Closed Blowdown system
  - ▶ CCPP Brazi planned shut down
  - ▶ Recognition of assets under IFRS 16 Leases
- ▶ **2020E** at RON ~4.2 bn:
  - ▶ ~100 wells and sidetracks
  - ▶ Constant level of workovers yoy
  - ▶ Compliance and environmental projects

## E&A

- ▶ **2019** at RON 0.4 bn:
  - ▶ 2 wells drilled in 2019
  - ▶ 4461 Totea South well production started in October
- ▶ **2020E** at RON ~0.3 bn
  - ▶ 3D seismic acquisition in Urziceni East block started in Q4/19 to be finalized in H1/20

# OMV Petrom achievements on strategic objectives

## 2021+ Strategic Objectives

## 2019 Achievements



### Upstream

- ▶ Exploit full potential of Romanian opportunities
- ▶ Improve competitiveness
- ▶ Mature Neptun resources
- ▶ Develop opportunities for regional diversification

- ✓ **<11 USD/boe** stabilized production cost despite production decline
- ✓ **Neptun Deep** assessment of commercial & economic viability continued
- ✓ **28 marginal fields divested, 40 are being transferred**
- ✓ Simplified footprint, **7 producing assets**
- ✓ **70%** automated wells and modernized / automated facilities
- ✓ Contract signed to **enter offshore Bulgaria**



### DS Oil

- ▶ Explore petrochemicals growth opportunities
- ▶ Ensure reliable operations at competitive costs
- ▶ Secure strong retail position via dual brand strategy
- ▶ Focus on customer centric organization, digitalization

- ✓ **<8%** Fuel & Loss; **97%** refinery utilization rate
- ✓ **Polyfuel plant** in operation
- ✓ **Coker unit** closed blowdown system implemented
- ✓ Fully modernized **fuel storage network**
- ✓ MoU signed for partnership extension with **Auchan**
- ✓ **5.3 mn l** throughput/ filling station in Romania



### DS Gas

- ▶ Integrated gas and power business model
- ▶ Develop origination and trading
- ▶ Become regional gas player
- ▶ Provide integrated energy solutions

- ✓ Strengthened **leading position on the Romanian gas market**
- ✓ **Regional operations** in neighboring countries
- ✓ 55 TWh **gas sales volumes** in 2019
- ✓ 3rd party gas to **extend supply portfolio**
- ✓ 3.4 TWh Brazi power plant **net electrical output** in 2019

People &  
Organizational Culture



Technology & Innovation



Sustainability





# OMV Petrom Q4/19 Results

## Alina Popa, CFO

February 6, 2020

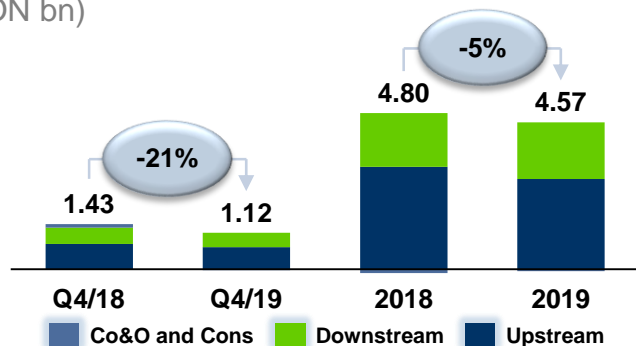


**OMV Petrom**  
The energy for a better life.

# Income Statement highlights

## Clean CCS Operating Result

(RON bn)

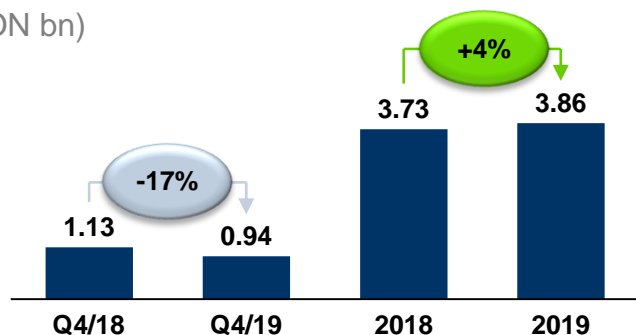


► Q4/19 Clean CCS Operating Result reflects:

- Lower oil prices
- Higher sales volumes of fuels and gas
- Favorable FX development and prices for natural gas

## Clean CCS Net Income<sup>1</sup>

(RON bn)



► Q4/19 Clean CCS Net Income reflects:

- Lower Clean CCS Operating Result
- Higher Financial Result

<sup>1</sup> Attributable to stockholders of the parent

# Special items and CCS effect

RON mn	Q4/19	Q4/18	2019	2018
<b>Clean CCS Operating Result</b>	<b>1,120</b>	<b>1,426</b>	<b>4,573</b>	<b>4,804</b>
CCS effects: Inventory holding gains / (losses)	17	-81	42	186
Special items	(89)	406	(370)	223
Thereof Upstream	(204)	340	(255)	306
Downstream Oil	(6)	13	(204)	9
Downstream Gas	129	60	156	-73
<b>Operating Result</b>	<b>1,049</b>	<b>1,751</b>	<b>4,245</b>	<b>5,213</b>

## Q4/19



- ▶ Gain from forward contracts in Downstream Gas



- ▶ Impairment of assets held for sale in Upstream

## 2019



- ▶ Gain from forward contracts in Downstream Gas

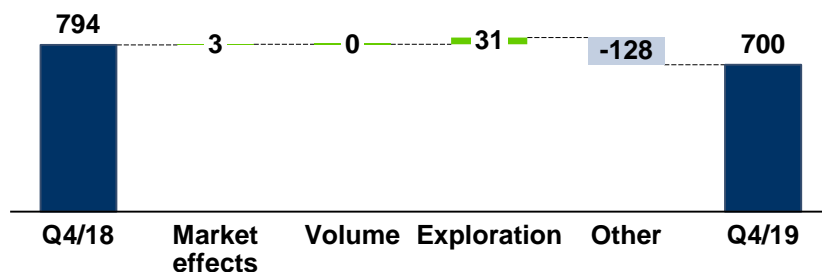


- ▶ Impairment of assets held for sale in Upstream
- ▶ Estimated soil remediation costs in relation to Arpechim refinery

# Clean CCS Operating Result

## Upstream

(RON mn)



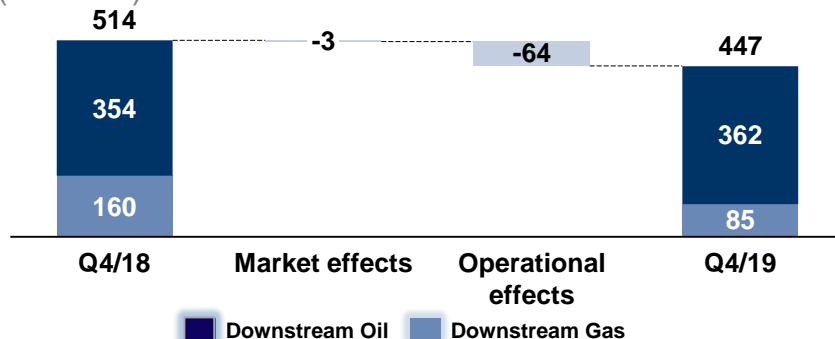
- ▶ Favourable FX
- ▶ Higher realized gas prices
- ▶ Lower exploration expenses



- ▶ Lower crude prices
- ▶ Sales volumes -1%

## Downstream

(RON mn)



- ▶ 98% refining utilization rate
- ▶ Refined products sales +4%
- ▶ Gas sales volumes: +54%

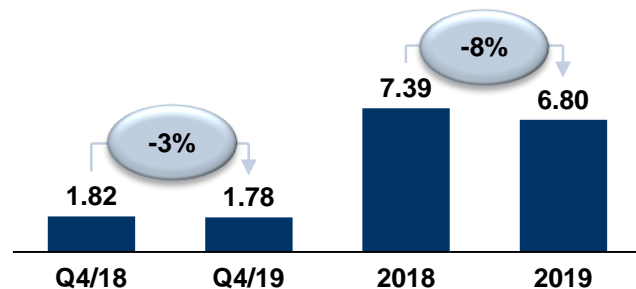


- ▶ Lower refining margin
- ▶ Lower power sales and spark spreads

# Cash Flow highlights

## Cash Flow from Operating Activities

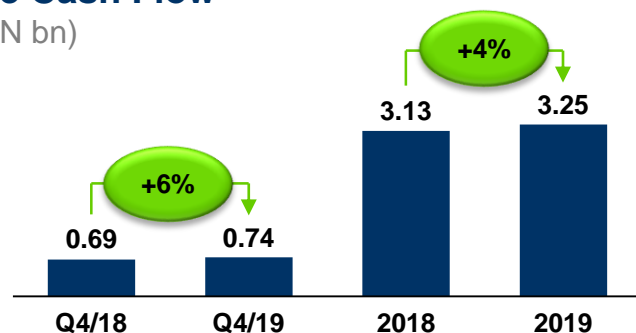
(RON bn)



- Q4/19 CFO: lower decrease than Operating Result due to higher depreciation and impairments

## Free Cash Flow

(RON bn)



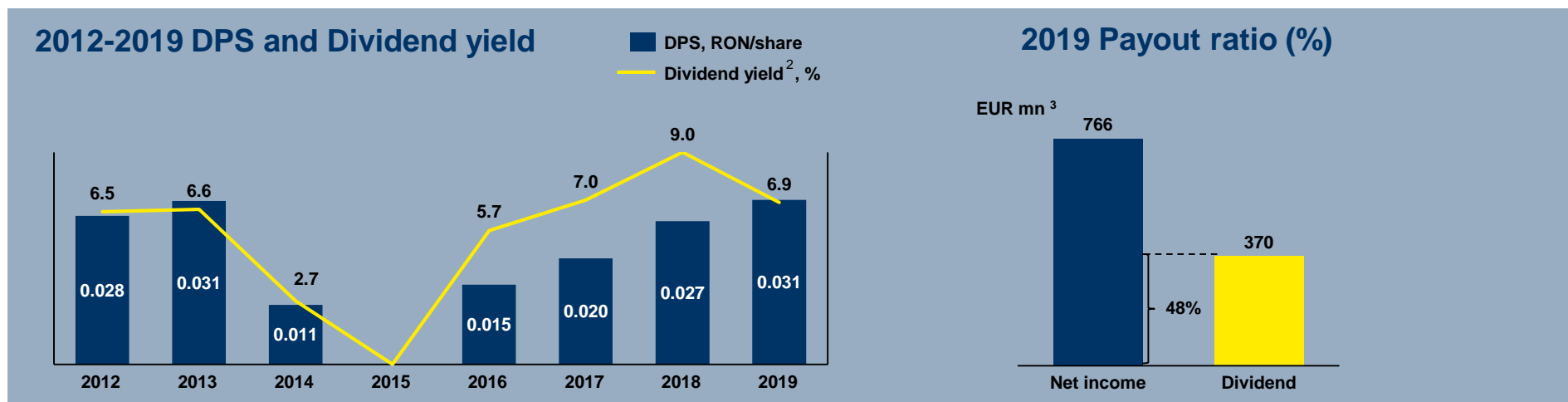
- Q4/19 CFO<sup>1</sup> -3% yoy
- Q4/19 CFI<sup>2</sup> -8% yoy

<sup>1</sup> Cash Flow from Operating Activities; <sup>2</sup> Cash flow from investing activities



# 2019 Dividend proposal: EUR 370 mn

- ▶ DPS<sup>1</sup> 2019: RON 0.031, up 15% yoy
- ▶ Dividend yield<sup>2</sup> 2019: 6.9%
- ▶ EUR 1.66 bn returned to shareholders in the past seven years



<sup>1</sup> Executive Board's proposal subject to approvals of the Supervisory Board and Annual General Meeting of Shareholders on April 27, 2020; <sup>2</sup> Calculated based on the closing share price as of the last trading day of the respective year; <sup>3</sup> Calculated at NBR average RON/EUR rate: 4.7453

# Outlook 2020

Indicators	Actual 2019	Assumptions/Targets 2020
Brent oil price	USD 64.21/bbl	USD 60/bbl
Production	152 kboe/d	decline below 5% yoy <sup>1</sup>
Refining margin	USD 4.67/bbl	USD >5.0/bbl
CAPEX	RON 4.2 bn	RON ~4.2 bn
FCF after dividends	RON 1.7 bn	Positive

<sup>1</sup> Not including portfolio optimization

Q&A



**OMV Petrom**  
The energy for a better life.



Back-up



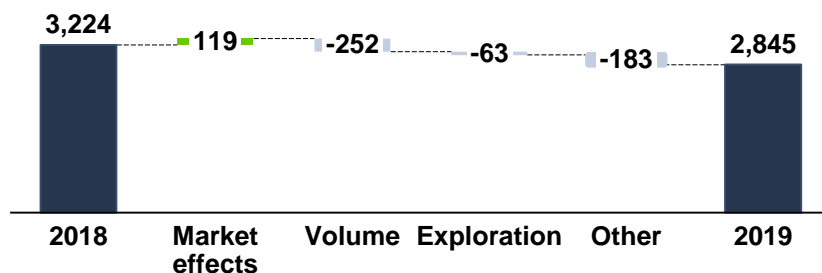
**OMV Petrom**

The energy for a better life.

# Clean CCS Operating Result

## Upstream

(RON mn)



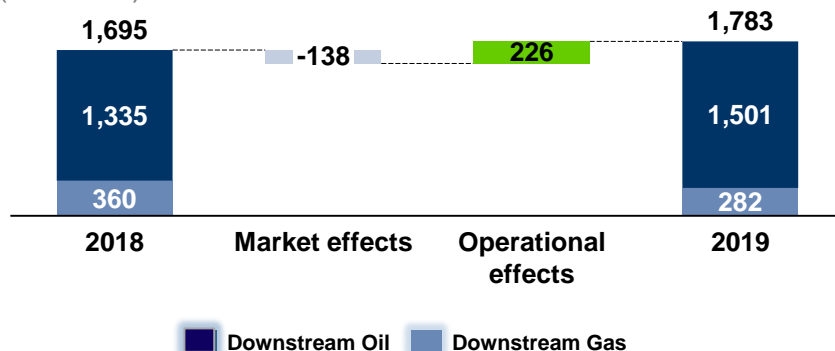
- ▶ Favourable FX
- ▶ Higher realized gas prices
- ▶ Clarification of a tax topic



- ▶ Lower crude prices
- ▶ Sales volumes -4%

## Downstream

(RON mn)



- ▶ 97% refining utilization rate
- ▶ 2018 refinery turnaround low base
- ▶ Refined products sales +10%
- ▶ Higher gas sales volumes



- ▶ Lower refining margins